Energizing growth

SaskPower Annual Report 2011

SaskPower

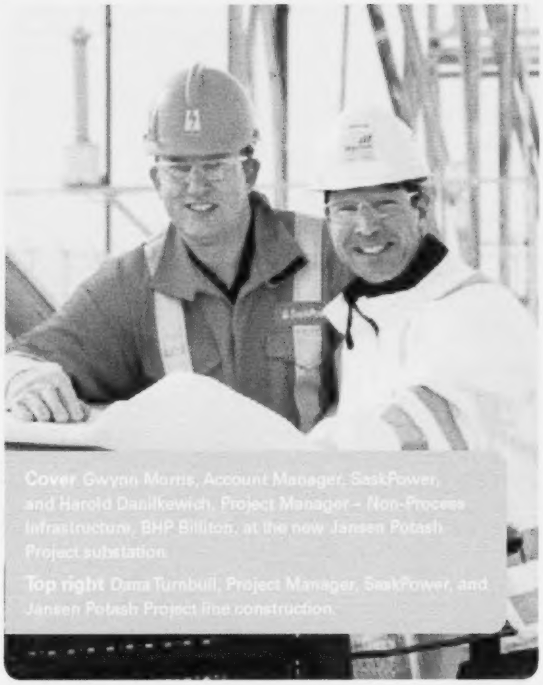
Powering the future

Energizing growth

At SaskPower, the service that we provide our customers is at the centre of life in Saskatchewan. Day in and day out, electricity not only touches all that call our province home, it also acts as a critical fuel in generating opportunity.

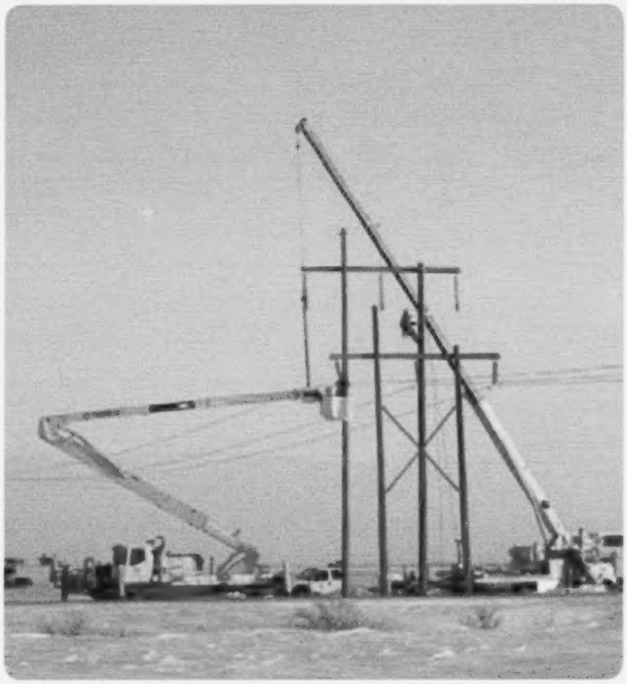
So as Saskatchewan grows, so must SaskPower. In 2011, our province's increase in gross domestic product was among the highest in Canada. And with expansion of the natural resource industry in full swing, SaskPower was called upon to deliver more energy.

Approximately 150 kilometres east of Saskatoon, a new temporary 138-kilovolt line is providing power to support construction and mine development at BHP Billiton's new Jansen Potash Project. When the mine's operations begin, SaskPower's electricity will feed the facility so that the potash produced can help feed the world.



Cover Gwynn Morris, Account Manager, SaskPower, and Harold Danilkewich, Project Manager – Non-Process Infrastructure, BHP Billiton, at the new Jansen Potash Project substation.

Top right Dana Turnbull, Project Manager, SaskPower, and Jansen Potash Project line construction.



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Corporate profile

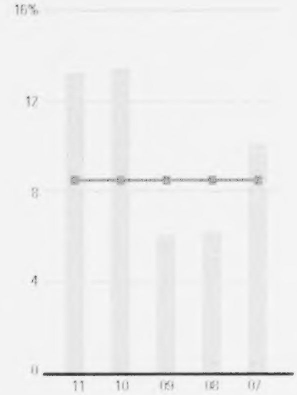
Established in 1929, SaskPower is Saskatchewan's leading energy supplier. We are defined by our commitment to support economic growth and enhance quality of life in our province. Our corporate mission: safe, reliable and sustainable power for our customers.

SaskPower's team is made up of over 2,700 permanent full-time employees. We manage $6.3 billion in generation, transmission and distribution assets. Our company operates three coal-fired power stations, seven hydroelectric stations, six natural gas stations and two wind facilities. Combined, they generate 3,513 megawatts (MW) of electricity.

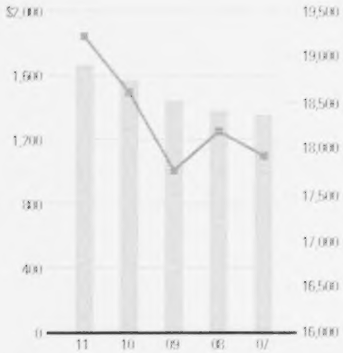
SaskPower also buys power from the Red Lily Wind Power Facility, SunBridge Wind Power Facility, Spy Hill Generating Station, Meridian Cogeneration Station, Cory Cogeneration Station, and NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Facilities. At the end of the year, our company's total available generation capacity was 4,094 MW.

We are responsible for almost 482,000 customers within Saskatchewan's geographic area of approximately 651,000 square kilometres. About three customers are supplied per circuit kilometre. We maintain nearly 152,000 kilometres of power lines, 55 high voltage switching stations and 186 distribution substations. Our company also has interconnections at the Manitoba, Alberta and North Dakota borders.

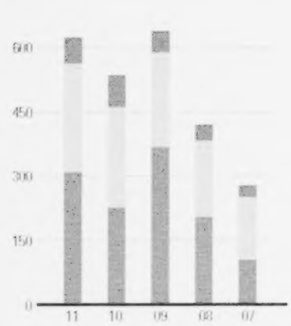
Performance highlights



RETURN ON EQUITY (ROE) VS. LONG-TERM TARGET



SASKATCHEWAN ELECTRICITY SALES



CAPITAL EXPENDITURES (millions)

Financial indicators

(in millions)	2011	2010	Change
Revenue	**$ 1,837**	$ 1,691	$ 146
Expense	**1,598**	1,468	130
Income before unrealized market value adjustments	**239**	223	16
Net income	**248**	204	44
Capital expenditures	**625**	538	87
Long-term debt	**2,707**	2,708	(1)
Short-term advances	**251**	159	92
Finance lease obligations	**555**	412	143
Return on equity[1]	**13.2%**	13.4%	(0.2%)
Per cent debt ratio[2]	**63.0%**	63.0%	–

1. Return on equity = (income before unrealized market value adjustments)/(average equity).

2. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds – cash and cash equivalents).

Operating statistics

(GWh[1])	2011	2010	Change
Saskatchewan electricity sales	**19,226**	18,618	608
Exports	**449**	244	205
Total electricity sales	**19,675**	18,862	813
Gross electricity supplied	**21,611**	20,759	852
Line losses	**(1,936)**	(1,897)	(39)
Net electricity supplied	**19,675**	18,862	813
Electricity trading purchases	**626**	619	7
Line losses	**(8)**	(6)	(2)
Electricity trading sales	**618**	613	5
Generating capacity (net MW[2])	**4,094**	3,982	112
Peak load (net MW[2])	**3,195**	3,162	33
Customers	**481,985**	473,007	8,978

1. One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical houses in one year.

2. Megawatt (MW) is a unit of bulk power: 1,000 kilowatts. The unit is generally used to describe the output of a commercial generator.

The 2011 and comparative 2010 financial information disclosed herein was prepared in accordance with International Financial Reporting Standards (IFRS). Effective January 1, 2011, SaskPower adopted IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP).

Letter of transmittal

Regina
March 2012

To Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 2011.

The report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of Saskatchewan Power Corporation, all in accordance with *The Power Corporation Act*.

I have the honour to be, Madam, your obedient servant,

Honourable Rob Norris
Minister Responsible for Saskatchewan Power Corporation

Our strategic context

Vision

People, innovation and partnerships . . . powering Saskatchewan to a bright future.

Mission

Safe, reliable and sustainable power for our customers.

Values

Responsive, respectful, progressive and accountable in everything we say, do and offer.

Core strategies and key performance drivers

People [p 6, p 22]

- Customers
- Employees
- Stakeholders

Financial [p 7, p 27]

- Business renewal
- Financial management

Stewardship [p 7, p 30]

- Infrastructure
- Environment

A message to our stakeholders

These are exciting times for SaskPower, and 2011 was no exception. Our company weathered a number of storms — both figuratively and literally. Our system and employees were not only taxed by the continued robust performance and growth of Saskatchewan's economy, they were also challenged by the elements nature threw at us.

During one spring weekend, our Outage Centre fielded nearly 50,000 calls when freezing rain, snow and high winds pushed through southeastern Saskatchewan and downed transmission and distribution lines in more than a dozen districts. In the following months, flooding in some parts of our province created the highest water levels and flows in modern history. As a result, access to two thirds of Boundary Dam Power Station's coal supply was temporarily restricted while the source of a major portion of Shand Power Station's cooling water supply was severely damaged.

And while Mother Nature acted, Saskatchewan's economy surged. Customers of all sizes called for new connections to our grid and used a previously unsurpassed amount of electricity. Throughout it all, our company rose to the challenge while also successfully posting a strong financial performance.

In addition to exceptional employee expertise and dedication being responsible for our ability to respond, SaskPower's capacity to withstand the extraordinary demands of the year was also enabled by a level of preparedness made possible by a regular planning regime and focus on a common vision. In 2011, we further refined our Strategic Direction by grouping our priorities under three core strategies: people, financial and stewardship. These areas of emphasis will help us meet immediate service demands, while also underpinning the planning necessary to ensure our company and Saskatchewan continue to thrive.

People

We value our customers, employees and stakeholders above all because we recognize them as our strength. We see them as partners — necessarily at the centre of everything we do. For that reason, collaboration between all three groups is at the forefront of initiatives that will take us closer to our vision of top quartile customer satisfaction scores in quality and service delivery.

Our Service Delivery Renewal (SDR) Program continues to focus on a combination of people, processes and technology. During the year, we introduced a new integrated billing system that sets the stage for the introduction of new technologies to help better serve customers. Meanwhile, our New Connects process is reducing the time it takes to provide quotes and install services.

Additionally, the groundwork has been laid for testing smart meters — Advanced Metering Infrastructure (AMI) — in select communities in 2012. AMI will provide near real-time monitoring of electrical consumption and operational data that will assist us in restoring service quicker, improving power quality and helping us operate our emerging smart grid.

In 2011, SaskPower was again named one of Canada's Best Diversity Employers and one of Saskatchewan's Top Employers. And we want to keep it that way. In response to the need to prepare our company's human resources future, we have completed a new five-year Workforce Plan. It identifies innovative sourcing strategies and prioritizes the skills and positions our company needs.

In the electricity industry, employee and public safety is a constant concern. During the year, senior company officials signed a formal Health and Safety Leadership Charter. A company-wide Safety Stand Down was also held to heighten awareness. Meanwhile, SaskPower's two unions — the International Brotherhood of Electrical Workers (IBEW) Local 2067 and Communications, Energy and Paperworkers (CEP) Local 649 — contributed to the development and launch of a new industry-leading Drug and Alcohol Program.

When it comes to all areas of our business, proactive and transparent engagement with stakeholders is truly critical. Nowhere is this more evident than with First Nations communities. In 2011, SaskPower joined the Government of Saskatchewan and newly established First Nations Power Authority to sign a Memorandum of Understanding that will help the province's First Nations develop power generation projects.

Financial

SaskPower's 2011 economic performance exceeded expectations in many areas. Results were primarily influenced by increased Saskatchewan electricity sales as well as improved export and electricity trading revenues. Our income was a record $239 million, up $16 million from the previous year. Return on equity was 13.2%, higher than our long-term target of 8.5%.

Our debt ratio was 63.0%, consistent with the previous year. Effective debt management will be crucial as we continue a major multi-year program of reinvestment. In 2011, capital expenditures were the second highest on record — $625 million. We are expecting capital expenditures to remain at a high level for the foreseeable future, as we renew aging infrastructure and expand our system to meet demand that is growing at double the historic rate.

During this period of intensive capital investment, we are committed to maintaining rates competitive with other thermal utilities. There were no rate adjustments during 2011, and we are committed to keeping future increases as moderate as possible.

Stewardship

We are operating within an increasingly complex business context characterized by increasing demand, pending asset retirements and growing environmental constraints. As a result, we felt development of an extended outlook was essential. We are now working on a 40-year Supply Plan that supports the long-term sustainability of our company. We have also completed SaskPower's first Conservation Potential Review. It provides a vision of possible action areas in relation to residential, commercial and industrial customers.

As a utility that has traditionally relied heavily on an abundant supply of low-cost coal, climate change remains one of the most pivotal issues for our company. We are taking a significant step toward a solution by proceeding with development of one of the world's first commercial-scale carbon capture and storage facilities — the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. The creation of a neutral platform Carbon Capture Test Facility at Shand Power Station is also under consideration. Meanwhile we are participating in a Canada-wide review of proposed federal carbon dioxide emissions regulations that could significantly impact our operations and financial position.

During 2011, we continued to reinforce our system with non- or low-emitting sources of electricity as well as new transmission and distribution lines. The 86-megawatt (MW) Spy Hill Generating Station and 26-MW Red Lily Wind Power Facility came online, while a major $555 million expansion began at Queen Elizabeth Power Station. We have committed to 20 new small-scale environmentally preferred power projects, while the North Battleford Energy Centre remains on schedule to begin producing electricity in 2013. In order to ensure system reliability and integrity, during the year we placed 18 new transmission projects into service, many of which are supporting new business development in Saskatchewan.

Stronger today as we prepare for tomorrow

We're proud of the financial and operational achievements of 2011. All of our partners — customers, employees and stakeholders — have played critical roles in energizing corporate and provincial growth while setting the stage for long-term success and sustainability.

We look forward to building upon all of our relationships, while we carry forward the spirit of discipline, resourcefulness and innovation to take us further along our course of renewal and expansion. As always, we welcome your input and are grateful for your support.

Joel Teal
Chair, Board of Directors

Robert Watson
President and CEO

Energizing growth

2011

We set new records of $239 million for income and 21,611 gigawatt hours for electricity supplied, while the province set a new record of 69,456 megawatt hours for daily energy consumption and in early 2012 a new record of 3,265 MW for peak load.

We invested $625 million — the second highest on record — in Saskatchewan's electrical system.

We added 112 megawatts of net capacity while completing new transmission, distribution and substation projects.

We launched development of one of the first commercial-scale carbon capture and storage facilities in the world.

We announced partnerships with First Nations to further renewable power development in Saskatchewan.

We selected 20 new greenhouse gas emissions-free small-scale power projects from vendor proposals.

We expanded our energy efficiency programs while completing a Conservation Potential Review that highlights possible future action areas.

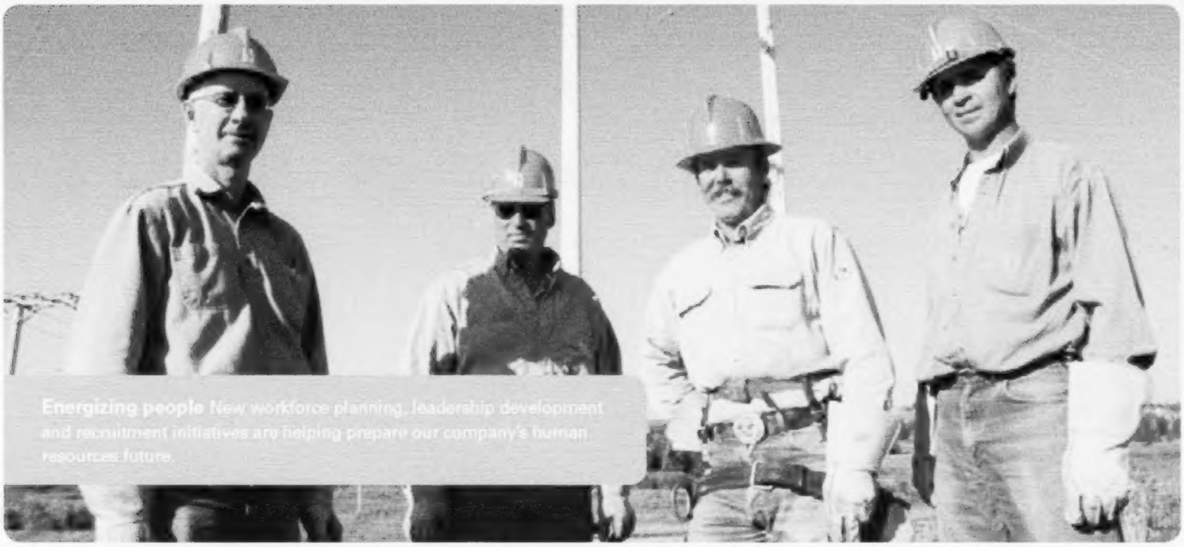
We developed a new integrated billing system that provides a platform for the introduction of new customer service improving technologies.

We completed a five-year Workforce Plan, signed a formal Health and Safety Leadership Charter and inaugurated a new Drug and Alcohol Program.

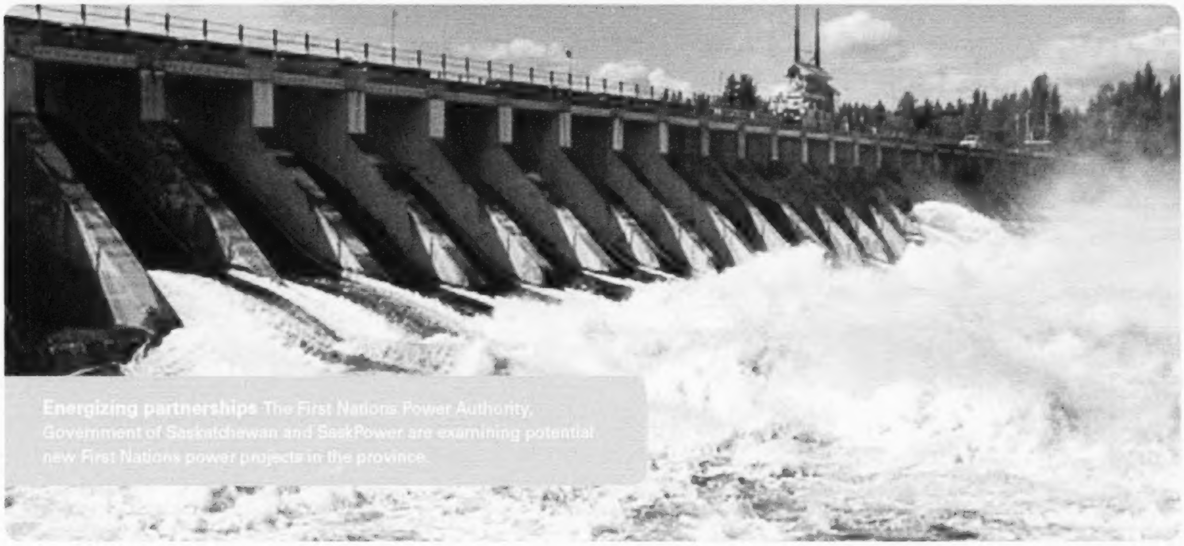
We celebrated the 20th anniversary of SaskPower Shand Greenhouse, which has distributed over 7.9 million seedlings throughout Saskatchewan.

Energizing innovation Boundary Dam Power Station Unit #3 is home to one of the world's first and largest integrated carbon capture and storage demonstration projects, which is expected to reduce carbon dioxide emissions by 90%.

Energizing relationships Centralized service coordination is improving communication between utilities, homebuilders and contractors, helping SaskPower to keep pace with Saskatchewan's rapid urban growth.



Energizing people New workforce planning, leadership development and recruitment initiatives are helping prepare our company's human resources future.



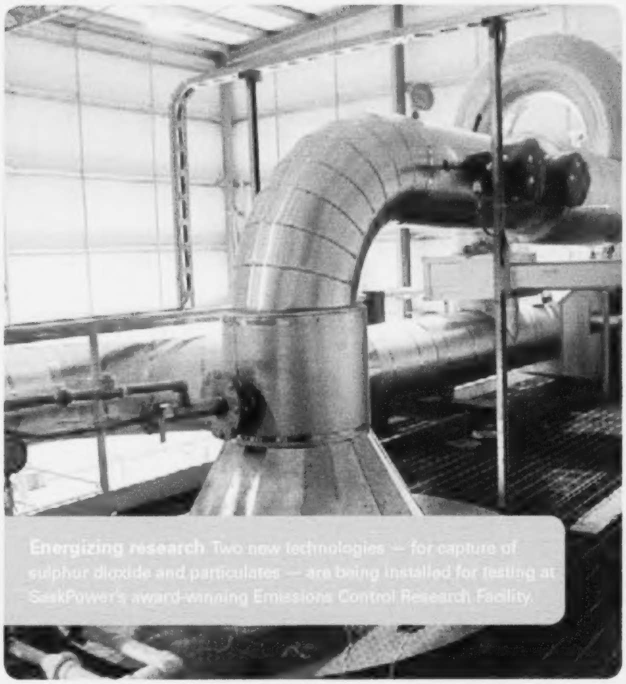
Energizing partnerships The First Nations Power Authority, Government of Saskatchewan and SaskPower are examining potential new First Nations power projects in the province.

Energizing responses Employees not only safeguarded transmission, distribution and generation facilities when flooding hit Saskatchewan, but also volunteered with relief efforts in the communities they serve.

Energizing renewal Island Falls Hydroelectric Station Unit #4 is one of several units in our hydroelectric system that is undergoing an upgrade as part of an ongoing renewal program.

Energizing options Western Prime Meat Processors is using waste to fuel a 125-kilowatt biomass system that is providing electricity to Saskatchewan's grid as part of SaskPower's Green Options Partners Program.

Energizing connections Aging transmission and distribution infrastructure — such as this 25-kilovolt line that feeds the village of Maymont and surrounding rural customers — is being upgraded to improve reliability.



Energizing research Two new technologies — for capture of sulphur dioxide and particulates — are being installed for testing at SaskPower's award-winning Emissions Control Research Facility.

Energizing service A new Customer Relationship and Billing System is providing employees with a comprehensive view of customer information.

Energizing expansion A $555-million development at Queen Elizabeth Power Station will add 200 megawatts of natural gas-fired generation through the addition of three gas turbines and a steam turbine.

Energizing customers SaskPower worked with retailers to give away 50,000 block heater timers to help customers reduce energy consumption.

Energizing nature Using waste heat from the Shand Power Station, the SaskPower Shand Greenhouse has distributed over 7.9 million seedlings since it opened in 1991.

Management's discussion and analysis

March 20, 2012

The following is a discussion of the consolidated financial position and results of the operations of Saskatchewan Power Corporation (SaskPower; the Corporation) for the year ended December 31, 2011. It should be read in conjunction with the audited consolidated financial statements and accompanying notes. The 2011 and comparative 2010 financial information discussed herein has been prepared in accordance with International Financial Reporting Standards (IFRS). Effective January 1, 2011, the Corporation adopted IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP). IFRS accounting policies and the impact on transition to IFRS on our financial statements are further discussed in *Note 2* on page 69.

This management's discussion and analysis (MD&A) contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

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Our business

SaskPower is Saskatchewan's leading energy supplier. With one of the largest service areas in Canada, our company is dedicated to providing electricity generation, transmission and distribution services to nearly 482,000 customers throughout a geographic area of approximately 651,000 square kilometres.

SaskPower is a vertically integrated utility. Over 2,700 permanent full-time employees are employed in three business units, nine corporate groups and three wholly owned subsidiaries — NorthPoint Energy Solutions, SaskPower Shand Greenhouse, and SaskPower International.

Our company manages more than $6 billion in assets, relying on a generating fleet that uses a wide range of fuels that include coal, hydro, natural gas and wind. This diversity provides a hedge against supply and price volatility, protecting customers from some of the risk inherent in any single fuel.

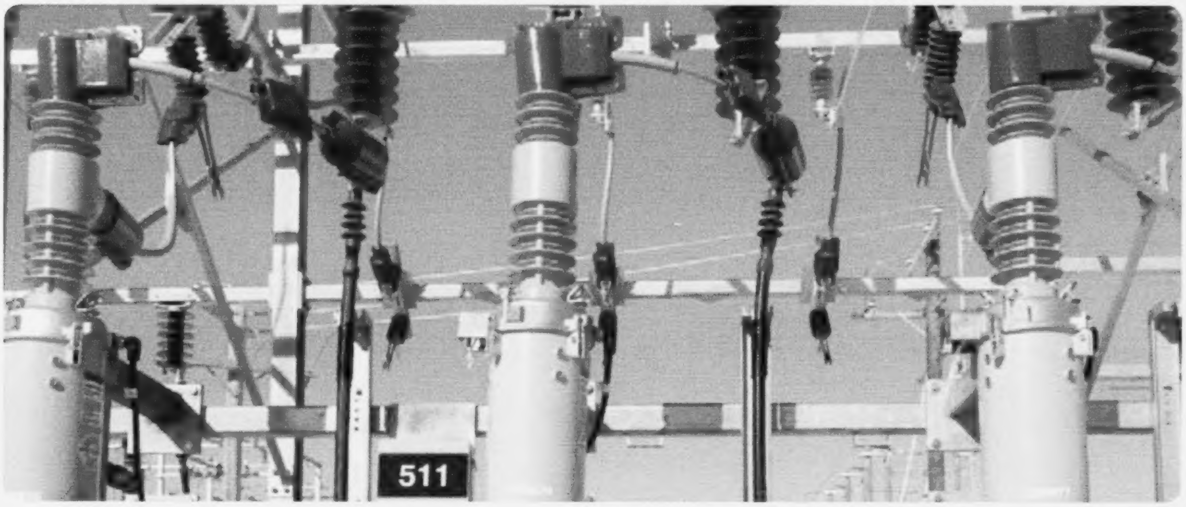
Mandate

SaskPower traces its origins to the Saskatchewan Power Commission that was founded in 1929. In 1949, our company was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act* (the Act). The Act has had a number of modifications over its lifetime. However, SaskPower's mission — to deliver power in a safe, reliable and sustainable manner — has not fundamentally changed.

The Act grants SaskPower the exclusive franchise within the province of Saskatchewan (except for the City of Saskatoon and the City of Swift Current) to supply, transmit and distribute electricity, as well as to provide retail services to customers. The Reseller class of customer is restricted to two cities that retained their municipal franchise — the City of Swift Current and the City of Saskatoon.

Our company's vision, mission and values flow from the Act and SaskPower's relationship with our parent company, Crown Investments Corporation (CIC) of Saskatchewan. We support the strategic direction provided by CIC. In turn, CIC is responsive to general government direction as articulated in a variety of ways, such as through the annual Speech from the Throne, or with formal policy statements.

Pursuant to the Act, the President and Chief Executive Officer of SaskPower reports to a Board of Directors appointed by the Lieutenant Governor in Council. Through the Chair, our company's Board of Directors is accountable to the Minister Responsible for Saskatchewan Power Corporation. The Minister functions as a link between SaskPower and provincial cabinet, as well as the Saskatchewan Legislative Assembly.



Our capability to deliver results

As the principal supplier of electricity in Saskatchewan, SaskPower maintains an extensive generation, transmission and distribution infrastructure. Our company's overall objective is to create and maintain a sustainable energy supply — one that balances economic, environmental and social requirements.

Supply

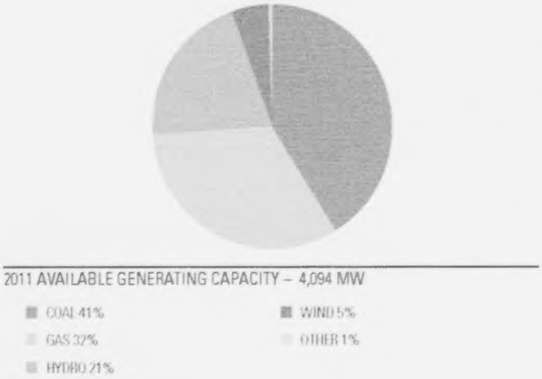
To ensure reliability of service, SaskPower maintains a generating capacity greater than the province's peak demand. Our company's available capacity is 4,094 megawatts (MW). This includes 3,513 MW available from our company's own assets — three coal-fired stations, seven hydroelectric stations, six natural gas stations and two wind facilities.

SaskPower also has a generating capacity of 581 MW available through long-term power purchase agreements (PPAs). Facilities producing the electricity are the gas-fired Spy Hill Generating Station near Esterhazy; the gas-fired Cory Cogeneration Station near Saskatoon; the gas-fired Meridian Cogeneration Station at Lloydminster; the SunBridge Wind Power Facility near Swift Current; the Red Lily Wind Power Facility near Moosomin; and the NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Facilities.

The total available generating capacity is above our company's record system peak load of 3,265 MW, which was set in early 2012. SaskPower's excess generating capacity — the difference between total available generating capacity and load — provides our company with the ability to carry out annual maintenance programs without compromising reserve capacity requirements. SaskPower will also take advantage of excess capacity throughout the year to make export sales when we can earn an appropriate margin while operating within an acceptable level of risk.

Network

Our transmission system is made up of 12,576 km of power lines and 55 high voltage switching stations located across Saskatchewan. Transmission lines are high voltage lines (over 25,000 volts) that transport large volumes of electricity from generating stations to load centres — cities, towns or large industrial or commercial customers.


2011 AVAILABLE GENERATING CAPACITY – 4,094 MW

Our distribution system consists of 139,390 km of power lines, 186 distribution substations and approximately 155,000 pole and pad-mounted transformers. Distribution lines are lower voltage lines (25,000 volts and under) that take electricity in smaller quantities to residential users and smaller commercial consumers.

SaskPower's infrastructure includes the Grid Control Centre (GCC), which directs the safe and reliable operation of the power system and the Supervisory Control and Data Acquisition (SCADA) system that provides remote operations and control of our facilities. The challenge of managing our transmission and distribution system is considerable because of the large geographic size of the province, locations of various sources of generation, and a dispersed and relatively small population.

SaskPower has interconnections at the Manitoba, Alberta and North Dakota borders. These provide our company with the capability to import or export electricity to meet higher internal demand or take advantage of export market opportunities. Under normal system conditions, the import capability is up to 150 MW from Manitoba, 75 MW from Alberta, and 90 MW from North Dakota. The export capability is up to 50 MW to Manitoba, 153 MW to Alberta, and 150 MW to North Dakota.

These interconnection capabilities vary with system conditions, including generation and load level. In compliance with the Open Access Transmission Tariff (OATT), SaskPower is required to compete with other suppliers for access to these interconnections. The OATT enables competitors to schedule access to our company's transmission system, allowing them to wheel power through Saskatchewan or sell to SaskPower's wholesale (Reseller) customers.

Outlook

For SaskPower, planning for the future has never been more important. The province's population is growing significantly, as is the economy. Additionally, our company is facing the pressing need to revitalize a large portion of our aging infrastructure while meeting growing electricity demand and responding to more stringent environmental regulations.

Our company has secured the necessary supply to meet short-term demand. We are currently engaged in comprehensive and ongoing system planning to ensure we are able to meet medium-term and long-term supply requirements in a sustainable and affordable way. At present, SaskPower's supply strategy includes:

Short term [2011-2016] — supply requirement of 1,066 MW

- Using customer-focused energy efficiency, conservation and load management programs to manage electricity use;
- Installing natural gas turbines;

- Encouraging Independent Power Producer (IPP) development of renewables, including wind and biomass;
- Pursuing new generation technologies, including the development of one of the world's first and largest integrated carbon capture and storage demonstration projects;
- Undertaking short-term import contracts with neighbouring utilities; and
- Upgrading voltages and building new lines to reduce line losses on the transmission system.

Medium term [2017-2024] — supply requirement of 1,209 MW

- Continuing efficiency, conservation and load management programs to manage electricity use;
- Encouraging IPP development of renewables, including collaborations with First Nations;
- Pursuing new generation technologies;
- Undertaking interconnection capacity increases with neighbouring utilities; and
- Evaluating numerous supply options, including: biomass, carbon capture and storage, cogeneration, compliant coal, hydro, imports, natural gas, polygeneration, wind, solar, heat recovery, renewable storage and the repowering of existing units.

Long term [2025-beyond] — supply requirement of 2,119 MW

- Continuing efficiency, conservation and load management programs to manage electricity use;
- Pursuing new generation technologies; and
- Evaluating numerous supply options, including: biomass, carbon capture and storage, cogeneration, compliant coal, hydro, imports, natural gas, nuclear, small nuclear, solar, heat recovery, polygeneration, wind and the repowering of existing units.

Through our participation in the provincial government's Standing Committee on Crown and Central Agencies review of Saskatchewan's energy future, we benefitted from sustainability-related discussions — ranging from climate change to the affordability of electricity — with a variety of stakeholders. As we extend our supply outlook to 40 years, those viewpoints are proving valuable as we examine how we can further incorporate cleaner sources of electricity, energy efficiency and conservation, as well as smart grid technologies and other new innovations.

Our enterprise-wide strategic direction

At SaskPower, our strategic direction is articulated in our vision, mission, and values statements. Our planning, execution and performance measurement are built around three core strategies and seven priorities.

SaskPower's vision reminds us of the ideals we are pursuing and what we want to achieve in years to come. Our mission tells us why our business exists and defines its unique purpose. Our values are the fundamental principles that guide and govern our behavior.

SaskPower's core strategies act as our company's areas of critical focus, while our priorities are our key performance drivers. Each core strategy and key performance driver plays a prominent role in SaskPower's Strategic and Business Plan, which is revised annually. Input is provided by our employees, executive and Board of Directors. The resulting course is closely aligned with the direction of our shareholder, CIC.

Our vision

People, innovation and partnerships . . . powering Saskatchewan to a bright future.

Our mission

Safe, reliable and sustainable power for our customers.

Our values

Responsive, respectful, progressive and accountable in everything we say, do and offer.

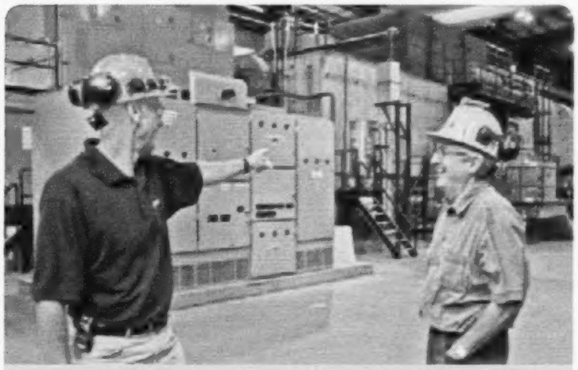
Our core strategies and key performance drivers

- **People**
  - Customers
  - Employees
  - Stakeholders
- **Financial**
  - Business renewal
  - Financial management
- **Stewardship**
  - Infrastructure
  - Environment

Our performance measures and initiatives

SaskPower's three core strategies and seven key performance drivers power our company. They are the foundation of our Corporate Balanced Scorecard, which provides the framework for our day-to-day work, measurement of organizational performance, and execution of long-term planning.

During 2011, we took a number of steps to advance our goal of becoming a leading utility. In addition to fulfilling our mission of providing safe, reliable and sustainable power to customers, we made our company stronger by promoting an innovative culture and undertaking initiatives that prepare us for the future. The targets, results and special initiatives associated with each of SaskPower's core strategies and key performance drivers are contained within this section.



Core strategy: People

Our business is about people. We strive to be a sought-after employer, with dedicated, engaged employees working to execute SaskPower's strategy. With our renewed approach to service, our customer satisfaction levels will rival those of leading companies in any industry. We welcome dialogue and create opportunities for stakeholders to provide input. Above all else, the safety of our employees and customers is vital.

Our key performance drivers:

1. Customers
2. Employees
3. Stakeholders

Our focus for 2012:

- Carry out our new Corporate Customer Strategy to become a more service-oriented company that treats customers as partners.
- Introduce new business processes and technologies through our Service Delivery Renewal (SDR) Program to better serve customers and identify ways to ensure ongoing improvement.
- Implement our recently completed five-year Workforce Plan to ensure the right people with the right skills are in the right place at the right time.
- Take action to attract, retain, develop and engage current and future employees.
- Monitor and continually improve our Safety Management System and surpass our safety targets.
- Continue proactive engagement with stakeholders to ensure a transparent process as we execute our plans to power the future.

Key performance driver #1

Customers

Our customers are developing heightened expectations around system reliability, new connection timelines, environmental performance, electricity pricing, and client communications. In response, during 2011 we developed a Corporate Customer Strategy that will assist SaskPower in progressing further toward becoming a top-rated service-oriented company that treats customers as partners.

Across all customer segments, our company is striving to attain: top quartile satisfaction scores in product quality and service delivery; top quartile ratings for trust; top quartile ratings for reliability; and a high degree of recognition for value.

Over the next decade, the Corporate Customer Strategy will include a number of initiatives that will see SaskPower become increasingly engaged with customers and third-party partners. Areas of emphasis will include improved system reliability, enhanced customer service, increased customer research and expanded electricity conservation.

Performance — Customer Satisfaction Index (10 point scale)

	2010	2011	2012	2013	2014
Target	8.0	8.2	7.7	7.5	7.6
Actual	7.6	7.7			

The Customer Satisfaction Index is derived from our annual customer satisfaction survey. In 2011, our company's performance was slightly below the target of 8.2 and was essentially unchanged from the previous year.

Reliability, new service connect times and communication were all cited as factors in SaskPower receiving the lower-than-targeted rating. Our company is working to increase customer satisfaction though efficiency, conservation and SDR initiatives.

By the end of 2011, we made significant progress in addressing new customer connection backlogs. Through our New Connects process, a standard pricing strategy was implemented that provides quotes for customers within a seven-day service target. The average time to provide a customer quote in 2009 was 66 days.

To address exceptional levels of urban development, service coordination was centralized and is resulting in improved communication between utilities, homebuilders and contractors. Many areas of Saskatchewan are now at or nearing a 10-day construction target, in contrast to the 45 days experienced by homebuilders in 2010.

Optimizing operations

Our SDR Program is revitalizing our relationship with customers through a focus on people, processes and technology. Through SDR, SaskPower is improving internal processes and information systems to increase efficiency and effectiveness, and ensure employees are provided with the tools needed to do their best work.

During 2011, we replaced SaskPower's more than 25-year-old billing system, which had become increasingly difficult to maintain. Our new technologically advanced Customer Relationship and Billing System provides employees with a comprehensive view of customer information, can be adapted to changing business requirements, and is capable of managing complex billing and rate structures.

The implementation of the new system sets the stage for the introduction of additional SDR initiatives, such as Advanced Metering Infrastructure (AMI). AMI will provide near real-time data on electrical consumption and operations through the installation and use of 500,000 smart meters. Once AMI is deployed, we will be able to restore service quicker, improve power quality, provide remote customer connects and disconnects, and collect usage data that can assist us in operating our grid more efficiently.

Through AMI, customers will have access to more timely information about their power consumption, with monthly bills always based on actual usage. In 2012, AMI testing will proceed in Saskatchewan communities. A full provincial rollout is expected to be complete by the end of 2014, with AMI estimated to generate $470 million in savings over a 20-year period.

In 2011, a number of unusual severe weather events throughout Saskatchewan caused higher than expected delays and outages, affecting both SaskPower's System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI).

Performance — System Average Interruption Duration Index (SAIDI)

	2010	2011	2012	2013	2014
Target	4.1	4.1	4.2	4.1	4.1
Actual	5.9	6.4			

The SAIDI allows us to track our performance in responding to outages. It is a measure of the average service interruption length in hours that a customer experiences in one year. The SAIDI is influenced by a number of factors, including adverse weather; equipment condition; line contacts; extent of outage; travel time to the trouble point; as well as line staff availability, familiarity with facilities and level of experience.

SaskPower's SAIDI measured 6.4 in 2011, which was a greater average interruption length than the target and an increase over 2010. This was due largely to spring flooding and a number of severe summer storms, which resulted in a higher than expected length of outages. To improve our performance, our company focuses on a number of initiatives designed to reduce outages that are considered controllable, including: the Rural Electrical Distribution Program, Wood Pole Replacement Program and Vegetation Management Program.

Performance — System Average Interruption Frequency Index (SAIFI)

	2010	2011	2012	2013	2014
Target	1.8	1.8	1.9	1.9	1.8
Actual	2.5	2.6			

The SAIFI represents the average number of outages that a customer experiences in one year. It takes into account both controllable and uncontrollable interruptions. Outages with controllable elements include infrastructure failures, tree contacts, scheduled outages or loss of supply. Uncontrollable factors include lightning and other adverse weather conditions.

In 2011, SaskPower's SAIFI measured 2.6, which was a greater number of outages than the target and a slight increase from 2010. As with our company's SAIDI, spring flooding and severe summer storms were largely responsible for the decline in performance.

Key performance driver #2

Employees

In 2011, SaskPower was again named one of Canada's Best Diversity Employers and one of Saskatchewan's Top Employers. With a retirement bubble on the horizon, SaskPower has a continued focus on strengthening succession planning, knowledge transfer, recruitment and retention.

During the year, a new five-year Workforce Plan was introduced. It provides a forward-looking needs assessment and succession strategy for our company. In support of strategic recruiting, SaskPower also increased its presence on social media platforms and attended over 100 recruiting events, many with a focus on First Nations communities.

Employee growth and development initiatives continued to assist with retention, with a new Leadership Development Program for senior employees launched. Meanwhile, our labour relations outlook was clarified when collective agreements were reached with SaskPower's two unions — the International Brotherhood of Electrical Workers (IBEW) Local 2067 and Communications, Energy and Paperworkers (CEP) Local 649.

Performance — full-time equivalent employees (NEW)

	2010	2011	2012	2013	2014
Target	•	3,330	3,477	3,462	3,303
Actual	3,284	3,290			

• Denotes that actuals or targets were not available or reported for that time period

Our company is committed to having an appropriately sized workforce in place to execute our strategy, while also remaining mindful of our efficiency objectives. SaskPower is also required to be in compliance with the direction of CIC and the Government of Saskatchewan in relation to public service growth.

The full-time equivalent (FTE) employees measure has been created to gauge SaskPower's progress in remaining aligned with our new five-year Workforce Plan. A FTE position is defined as an employee who works 1,800 hours per year and includes permanent, part-time, temporary and overtime hours.

SaskPower ended 2011 with 3,290 FTE employees, which was better than the target. SaskPower's five-year Workforce Plan calls for a peak of 3,477 FTE employees in 2012, before the total falls to 3,200 by 2016. The initial increase is required to provide resources to implement cost savings initiatives; train staff to fill in for expected retirements; facilitate knowledge transfer; improve service levels; and address infrastructure and service growth. Beyond 2012, our company anticipates steady reductions as a result of: attrition; improved planned maintenance activities that will reduce overtime; the retirement of Boundary Dam Power Station Units #1 and #2; and the efficiency gains resulting from the implementation of the SDR and Business Renewal Programs.

Performance — employee engagement score (%)

	2010	2011	2012	2013	2014
Target	55.0	54.0	59.0	65.0	67.0
Actual	49.0	•			

• Denotes that actuals or targets were not available or reported for that time period

Our company wants to ensure it has engaged employees that create an environment conducive to the continuous improvement of productivity. Employees with a high level of engagement generally say positive things about their company, want to stay at their company, and strive to do their best work so their company succeeds.

SaskPower has committed to measuring and improving employee engagement. This includes the use of bi-annual employee engagement surveys, with mini-surveys completed in between to keep track of engagement levels consistently and measure progress. An engagement survey was planned for 2011, however it was deferred to 2012 due to labour contract negotiations. The last engagement survey, conducted in 2010, saw participation improve from 32% to 74% and engagement improve from 39% to 49%.

Safety

At SaskPower, there is nothing more important than the welfare of employees, contractors and the public. Our company has an Occupational Health and Safety Assessment Series (OHSAS) 18001-registered Safety Management System (SMS) to minimize workplace health and safety risks. To ensure it is being used and maintained effectively, internal and external SMS audits are held each year to monitor compliance.

In 2011, our company's leaders reaffirmed their commitment to this singular priority by holding a company-wide Safety Stand Down and signing a formal Health and Safety Leadership Charter. The charter builds upon the initiative launched by the provincial WorkSafe Saskatchewan and Safe Saskatchewan agencies. The charter has seen leaders from 128 Saskatchewan organizations pledge their commitment to a shared vision for an injury-free province.

Meanwhile, an advisory committee comprised of SaskPower's two unions and management supported the development of our company's new industry-leading Drug and Alcohol Program. A first of its kind for Saskatchewan Crown corporations, its goal is to prevent workplace safety incidents and provide employee support. All employees are attending a Drug and Alcohol Program awareness session, while supervisors are attending training to learn about managing drug- and alcohol-related issues in the workplace. A new Safe Behavior Recognition Program was also approved in 2011, and a new Hazard and Risk Assessment Training Program was developed.

Each year, SaskPower continues to undertake educational initiatives to inform the public about electrical safety. These include the use of awareness advertising campaigns and a High Voltage Display at public events. In partnership with the Saskatchewan Safety Council, SaskPower also promotes farm safety to children through the Power Pac Program.

Performance — Safety Index

	2010	2011	2012	2013	2014
Target	2.5	2.3	2.0	1.5	1.5
Actual	1.8	2.0			

The Safety Index is comprised of leading and lagging indicators. A lower score indicates better performance. Leading indicators measure proactive activities that identify hazards and also assess, eliminate, minimize and control risks. Lagging indicators measure the occurrence of safety incidents, including lost-time injury frequency, and lost-time injury severity.

In 2011, our company had a Safety Index of 2.0, which exceeded the target but was slightly inferior to the prior year. SaskPower's safety record has steadily improved, however there are opportunities for further advancement. We see continued improvement in safety processes and practices as essential for our workforce and the wider community.

Key performance driver #3

Stakeholders

Dialogue with stakeholders — customers, communities, businesses, regulators and governments — is essential when we are beginning work to construct new infrastructure or undertake significant upgrades to existing facilities. Commonly, SaskPower's consultation includes early contact with local officials; distribution of detailed project information; open house sessions; meetings with individuals and interest groups; media releases; advertisements; and direct correspondence and discussion.

In 2011, we initiated formal consultations on five transmission projects: TransCanada Corporation Keystone Fox Valley Transmission Line; TransCanada Corporation Piapot Grassy Creek Transmission Line; TransCanada Corporation interim projects in two locations; Saskatoon North and East Reinforcement Projects; and Potash Corporation of Saskatchewan Rocanville and Scissors Creek Transmission Line. For these projects, we conducted 41 presentations to rural municipality, city, town and village councils, as well as held 10 public open houses.

During the year, consultations were also ongoing with First Nations and Métis communities on the Shore Gold Diamond Mine Transmission Line and Island Falls to Key Lake Transmission Line. As well, there were several other smaller transmission projects in the province that required communication and meetings with councils and landowners.

In 2011, our company also finished a 22-community public meeting tour in the most populated centres of Saskatchewan. The gatherings provided an opportunity for stakeholders to hear about SaskPower's future supply plans and provide feedback on our company's performance.

Aboriginal relations

In 2011, the SaskPower executive and Board of Directors agreed to an Aboriginal Relations Strategic Framework for our company. The objective is to further develop clear and open communication between SaskPower and First Nations and Métis communities in response to social, economic and environmental issues of shared concern. Our company is continuing to work with a number of these communities to seek resolution to outstanding historical issues, through improved community engagement and enhanced partnership development.

SaskPower, the Government of Saskatchewan and the newly established First Nations Power Authority (FNPA) signed a Memorandum of Understanding (MOU) during the year that will help the province's First Nations advance power generation projects. Meanwhile, SaskPower is also working with the Government of Saskatchewan, FNPA and Meadow Lake Tribal Council on development of a renewable power generation project in northern Saskatchewan — the Meadow Lake Bioenergy Centre. The biomass project will use wood byproducts from the NorSask Forest Products mill near Meadow Lake to generate up to 36 MW of renewable, low-emissions power.

Community support

In order to enhance the communities in which we work and live, our company supports registered charities and not-for-profit organizations throughout Saskatchewan. These contributions fund and support hundreds of events, activities and initiatives — as well as select capital projects — and contribute to the quality of life we enjoy in Saskatchewan.

In 2011, our community involvement consisted of approximately 164 partnerships involving education, environment, culture, sport and charities. Highlights include environment-related sponsorships with the Nature Conservancy of Canada, Ducks Unlimited and the Native Plant Society of Saskatchewan to support research, preservation and education. As well, our more than 20-year relationship with the Saskatchewan Science Centre continued to assist in the presentation of a wide range of community educational experiences.

As the need for graduates in professional vocations, trades and technology remain in high demand, our company's affiliations are continuing with post-secondary institutions such as the University of Regina, University of Saskatchewan and Saskatchewan Institute of Applied Science and Technology. Promoting innovation is also a focus, with our company making a $3.5 million donation to the University of Regina to promote carbon capture and storage research and a $3.5 million donation to the University of

Saskatchewan for power systems engineering research.

During the year employees from across the province raised more than $350,000 for the United Way. They also continued their tradition of volunteerism by lending their expertise and dedication to assist with flood relief efforts in Saskatchewan.

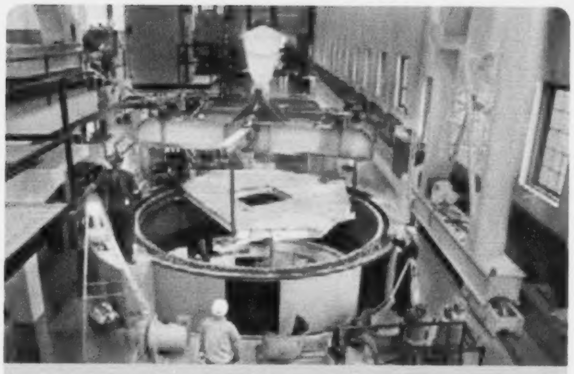
Performance — Corporate Reputation Index (10 point scale)

	2010	2011	2012	2013	2014
Target	•	6.7	7.0	7.3	7.6
Actual	•	7.1			

• Denotes that actuals or targets were not available or reported for that time period

Because we aspire to be a company that has exemplary relationships with stakeholders, the way in which SaskPower is viewed is an important indication of our progress. The Corporate Reputation Index is derived from our annual customer satisfaction survey and is measured on a 10-point scale.

In 2011, the Corporate Reputation Index was 7.1, exceeding the target. This was partly due to favourable ratings in the areas of trust, transparency, commitment, and consideration of stakeholder input. Our company's goal is to steadily increase satisfaction ratings across all customer classes — residential, farm, commercial and major/key accounts — and with key stakeholders.



Core strategy: Financial

SaskPower is an important financial contributor in our province. We recognize our role in supporting business and growth in Saskatchewan and believe we have a responsibility to carefully and prudently manage our company's finances.

Our key performance drivers:

1. Business renewal
2. Financial management

Our focus for 2012:

- Further initiatives to save or avoid spending $2 billion in operating, maintenance and administration (OM&A), capital and fuel costs through our Business Renewal Program by 2020.
- Manage fuel costs to maximize the value of our generation mix.
- Use sound financial management practices to ensure rate increases are kept to a minimum.
- Enhance our company's strategic procurement practices.

Key performance driver #1

Business renewal

The need for substantial investments in infrastructure renewal and growth will challenge our company's ability to maintain financial strength and capacity. Our customers and stakeholders will expect SaskPower to take the necessary actions to manage costs and keep rate increases to a minimum.

SaskPower's Business Renewal Program is evaluating opportunities to increase efficiency and effectiveness so that costs can be eliminated, controlled or avoided.

We are evaluating all expense areas, including those associated with OM&A; fuel and purchased power; and capital spending. The overall goal is to eliminate or avoid spending $2 billion over 10 years.

During the year, external consultants completed a second round of corporate evaluations and benchmarking. Savings opportunities relating to debt management, procurement and asset management were among those identified. Moving into 2012, the Business Renewal and SDR Programs will deliver specific initiatives and projects designed to produce significant overall savings in all expense categories, including fuel.

Performance — Employee Productivity Indicator (GWh/employee)

	2010	2011	2012	2013	2014
Target	7.9	7.5	8.5	8.9	9.5
Actual	7.6	8.0			

Optimizing the use of our workforce is a critical element of our overall renewal strategy. The Employee Productivity Indicator is defined as the total volume of SaskPower generation relative to the total number of full-time permanent employees. Total SaskPower generation includes electricity obtained from imports and through PPAs.

In 2011, the Employee Productivity Indicator was 8.0 GWh/employee, above the target and an improvement over the prior year. The result was due to a 4% increase in total generation and a decrease of 26 full-time permanent employees during the year.

Performance — operating, maintenance and administration (OM&A)/revenue (%)

	2010[1]	2011	2012	2013	2014
Target	31.7	31.2	29.9	27.3	23.8
Actual	29.9	30.7			

[1] *2010 actual results have been restated for IFRS adjustments and therefore differ from amounts reported in the prior year*

Executing the responsible use of resources is crucial to the financial health of SaskPower. The OM&A as a percent of revenue measure illustrates SaskPower's operational efficiency. OM&A costs include those expenses associated with maintenance, wages, salaries and benefits. The lower the ratio, the more efficient our company's operations. The OM&A figure used in the calculation excludes Demand Side Management (DSM) costs.

In 2011, SaskPower's OM&A as a percentage of revenue was 30.7%, which was better than the target set for the year but a decline relative to the prior year. The drivers for the increase in OM&A are discussed in further detail in the financial results section of the MD&A.

Our company's objective is to show steady improvements in future years, with a long-term target of 20%. This will be achieved through savings and productivity gains from initiatives such as the SDR and Business Renewal Programs.

Performance — rates-thermal utilities (%)

	2010	2011	2012	2013	2014
Target	≤110.0	≤110.0	≤110.0	≤110.0	≤110.0
Actual	82.5	81.9			

In our province, the price of electricity has a direct impact on Saskatchewan's competitive position as well as quality of life for residents. Our company's goal is to ensure that SaskPower's system average rates are less than or equal to 110% of the system average rates for customers served by utilities dependent on thermal generation.

SaskPower's 2011 result of 81.9% was better than the target and demonstrates that our company remains competitive with our thermal industry peers in Canada. Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel (SRRP) with final approval by cabinet. The last adjustment was a 4.5% system-wide rate increase effective August 1, 2010. SaskPower's previous rate increase was 8.5%, which became effective on June 1, 2009. There was no rate application by SaskPower to the SRRP in 2011.

Over the long-term, the target is deemed appropriate given SaskPower's large operating area, relatively small population base and ongoing requirement to deal with growth and infrastructure investments. Performance may erode slightly as new investment comes online, but there is adequate room to maintain competitive rates as our peers are also facing similar upward cost pressures.

Strategic procurement

In 2011, SaskPower contributed nearly $1.7 billion to the provincial economy. This occurred through the procurement of goods and services from Saskatchewan suppliers; payment of salaries, wages and benefits to employees; purchase of coal; and acquisition of electricity from IPPs. Our company's contributions also included grants-in-lieu of taxes payable to local governments, as well as coal royalties, water rentals and provincial corporate capital tax payable directly to the Government of Saskatchewan.

As part of the Business Renewal Program, SaskPower has identified the opportunity to improve procurement practices and supplier relationships. During the year, we surveyed suppliers and presented the results at supplier meetings. A slate of key recommendations have emerged, including the need to: broaden and deepen collaboration; enhance supplier performance management; provide more feedback to suppliers; consider changes to tender policies and processes; and re-design contract terms.

Key performance driver #2

Financial management

SaskPower will need to continue to demonstrate a sound financial strategy as our company balances the need to maintain competitive rates while executing an extensive capital program during the next decade.

We are facing a number of economic challenges that may have an effect on our balance sheet, including: higher costs to maintain and repair aging equipment, with some plants now reaching 50-60 years of age; higher capital costs as new generation, transmission and distribution infrastructure is added; an increased debt ratio due to increased capital investment; increased costs related to the pursuit of clean energy; and potentially volatile fuel costs, especially for natural gas, which can significantly impact net income.

Performance — return on equity (%)

	2010[1]	2011	2012	2013	2014
Target	7.9	6.7	7.6	8.5	8.5
Actual	13.4	13.2			

[1] *2010 actual results have been restated for IFRS adjustments and therefore differ from amounts reported in the prior year.*

For SaskPower, a continued strong financial performance will play an important part in financing infrastructure renewal and growth. Return on equity is a measure of income before unrealized market value adjustments for the year expressed as a percentage of total equity.

In 2011, the return on equity of 13.2% was above the target but a slight decline from the prior year. The target reflects a rate of return common to other Canadian electrical utilities. The income results are explained in further detail in the financial results section of the MD&A.

Performance — per cent debt ratio (%)

	2010[1]	2011	2012	2013	2014
Target	63.9	68.8	63.8	69.3	70.1
Actual	63.0	63.0			

[1] *2010 actual results have been restated for IFRS adjustments and therefore differ from amounts reported in the prior year.*

Per cent debt ratio provides a measure of debt expressed as a percentage of the total corporate financing structure. In 2011, SaskPower's per cent debt ratio was 63.0%. The result was better than the target as our company's capital spending was lower than planned while cash flows from operations exceeded expectations. The per cent debt ratio is discussed in further detail in the financial results section of the MD&A.

The long-term target has been set as a range between 60-75%. This range reflects the flexibility that SaskPower requires to increase its debt levels in order to finance our capital program. As we modernize and expand our infrastructure over the next decade, SaskPower will rely on a mix of internal spending, borrowing, and private sector partnerships to fund revitalization. However, even with a consistently strong return on equity, our company's debt levels are expected to increase substantially.

SaskPower's Board of Directors has approved the use of floating rate debt to a maximum of 15% of total outstanding debt in order to reduce financing costs. Floating rates are generally lower than long-term fixed rates but are subject to greater volatility. Most utilities use floating rates in their debt mix to lower the cost of funds at an acceptable risk level.

Performance — interest coverage ratio

	2010[1]	2011	2012	2013	2014
Target	1.5	1.5	1.7	1.8	1.5
Actual	2.0	2.0			

[1] *2010 actual results have been restated for IFRS adjustments and therefore differ from amounts reported in the prior year.*

Interest coverage ratio provides a snapshot of our company's ability to pay the interest charges on our debt. The coverage ratio indicates how many times the interest could be paid from available earnings, providing a sense of the safety margin which our company has for paying finance charges for any period.

SaskPower's interest coverage ratio for 2011 was 2.0 — unchanged from the prior year. A company that sustains earnings well above its interest requirements is in a good position to weather possible financial downturns.

Core strategy: Stewardship

Our mission is to provide safe, reliable and sustainable power for our customers. Detailed short-, medium- and long-term supply plans are in place, focused on a balance of generation options, and work continues on a 40-year supply strategy. As we develop new capacity, we also maintain and upgrade existing generation and transmission infrastructure to ensure reliability. In all of these activities, we seek sustainability as we balance environmental, social and economic interests.

Our key performance drivers:

1. Infrastructure
2. Environment

Our focus for 2012:

- Continue diversifying our generation mix, adding natural gas capacity and renewable developments resulting from partnerships.
- Invest in our transmission and distribution system to ensure reliability and integrity.
- Develop the world-leading Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, which is expected to reduce carbon dioxide (CO$_2$) emissions at the rebuilt 110-MW unit by 90%.
- Contribute to discussions on federal environmental regulations as we continue to meet current requirements.
- Enhance and expand efficiency, conservation and load management programs.

Key performance driver #1

Infrastructure

In 2011, SaskPower set a new all-time record for energy consumption for a single day of 69,456 megawatt hours (MWh) while in early 2012 a record peak load of 3,265 MW was achieved. For our company, these marks illustrate the importance of revitalizing and reinforcing our electrical grid.

We expect to rebuild, replace or acquire approximately 4,390 MW of capacity by 2034, while also continuing to expand and reinforce our transmission and distribution system. During the next decade, system peak demand is expected to increase by approximately 2.9% per year, which is significantly higher than the 1.4% per year recorded in the previous 10-year period.

Challenges to meeting growth in demand include:

- The need to retire or extend the life of select generating units while adding new capacity requires substantial new investment;
- The need to make significant upgrades to the transmission and distribution system to support new load growth and additional power generation; and
- The need to comply with strict federal environmental regulations regarding air emissions, water and biodiversity, which will be costly and require new capacity that excludes conventional coal-fired generation.

Performance — net new capacity additions (MW)

	2010	2011	2012	2013	2014
Target	138	113	–	260	40
Actual	138	112			

While continuing to renew existing infrastructure, our company must also add new capacity — by building new plants or entering into PPAs — to keep pace with growth in demand. The net new capacity additions measure illustrates the increase in the net amount of generation capacity.

In 2011, our company maintained a commitment to the integration of non-emitting and low-emitting sources of electricity while essentially meeting our net new capacity addition target. Northland Power's 86-MW gas-fired Spy Hill Generating Station was commissioned, while construction continued on its 260-MW North Battleford Energy Centre.

Meanwhile, the Red Lily Wind Power Facility — Saskatchewan's newest wind power source — became operational. Located northwest of Moosomin, the 26-MW project was selected through a SaskPower solicitation to partner with IPPs to build and operate small-scale electricity generation projects that produce no new greenhouse gas (GHG) emissions.

In 2011, SaskPower also selected 20 new environmentally friendly power projects from more than 300 applications through the second annual Green Options (GO) Partners Program lottery. The projects will add approximately 50 MW of green electricity to the grid through a variety of technologies, including: wind, hydro, flare gas, geothermal and methane gas. During the year, our company continued the competitive solicitation process for SaskPower's GO Plan. It will procure approximately 175 MW of wind power.

Our company also announced a $555 million expansion of Queen Elizabeth Power Station. Three new natural gas turbines, six steam generators and a steam turbine will produce an additional 200 MW. When the new units are commissioned, Queen Elizabeth Power Station will have the second-highest capacity among Saskatchewan power stations — 630 MW.

Performance — Renewing Infrastructure Index (%)

	2010	2011	2012	2013	2014
Target	88.0	86.2	86.7	87.6	88.1
Actual	86.0	84.4			

SaskPower's asset maintenance strategy is critical to security and reliability. The Renewing Infrastructure Index is a measure of the equipment availability of our generation and transmission assets. It demonstrates the effectiveness of our company's overall asset management strategy.

In 2011, SaskPower's Renewing Infrastructure Index was 84.4%, slightly below the target. The outcome was due to a number of unplanned outages as a result of storm activity that impacted the availability of our transmission and distribution assets. In addition, spring flooding disrupted coal delivery and reduced the availability of generation at Boundary Dam Power Station.

In order to strengthen our system, during the year Boundary Dam Power Station Unit #5 received a major overhaul. In 2012, a rebuild of Boundary Dam Power Station Unit #3 will begin, and will include installation of a state-of-the-art turbine custom designed for a carbon capture system.

Meanwhile, rehabilitation work on several hydro generating units continued. A generator rebuild was completed on Coteau Creek Hydroelectric Station Unit #1; a turbine upgrade and installation of new controls was completed at E. B. Campbell Hydroelectric Station Unit #7; a turbine upgrade and installation of new controls began at E.B. Campbell Hydroelectric Station Unit #8; and a generator rebuild, turbine upgrade and installation of new controls began at Island Falls Hydroelectric Station Unit #4.

An expanding network

SaskPower has a number of major high voltage transmission projects underway to upgrade and reinforce the electrical grid in Saskatchewan and improve service to industrial customers. During 2011, our company worked on development of transmission lines to supply new and existing potash mines at seven facilities across the province: Agrium Vanscoy; Mosaic K2; Mosaic K3; Mosaic Colonsay; K+S Legacy Project; PCS Rocanville; and PCS Scissors Creek. SaskPower also worked with the Global Transportation Hub west of Regina to relocate several transmission lines to accommodate the immediate and future development of intermodal facilities.

In 2012, SaskPower will provide transmission service to TransCanada Corporation Keystone XL Pipeline locations that include Fox Valley, Grassy Creek and Piapot. Numerous other transmission construction and rebuild projects are in various stages of development across the province that will provide added capacity and increased reliability for serving growing industrial load.

High Load Move Project

SaskPower now receives over 3,000 high load move requests per year, representing a 59% increase since 2006. During 2011, an East-West high load corridor through the province was completed to provide a route for large-sized manufactured goods and equipment to pass without power line interference.

Power lines were either buried or raised to provide a corridor for loads up to nine metres in height to travel without SaskPower assistance. The route runs from Melville on Highways 15 and 17 to the Alberta border. The corridor also includes Highway 7 from Saskatoon to Rosetown. The corridor was developed through the coordinated efforts of SaskPower, the Government of Saskatchewan Ministry of Highways and Infrastructure, Enterprise Saskatchewan and Saskatchewan Government Insurance.

Key performance driver #2

Environment

During the year, we maintained registration of our company's International Organization for Standardization (ISO) 14001 Environmental Management System (EMS). SaskPower's EMS provides employees and contractors with a structure designed to helps us identify, monitor and manage the impact of our business on the environment while encouraging continuous improvement. ISO 14001 registrations are maintained through annual independent EMS audits conducted at SaskPower facilities across the province. Qualified SaskPower personnel also conduct yearly internal EMS audits.

At present, the greatest environmental challenge facing our company is climate change. In 2011, the federal government published draft regulations to limit CO_2 emissions from coal-fired electrical generation. They propose emissions on any new units that begin producing power after July 1, 2015, be limited to that of best-of-class natural gas combined cycle (NGCC) units. Meanwhile, any existing coal-fired units will need to meet new performance standards if they are to continue operation beyond 45 years from their in-service date.

With approximately 40% of our total capacity fuelled by coal, any new CO_2 emissions regulations will have a significant impact on the future of our company. Our company and customers will incur increased costs as SaskPower transitions to lower-emitting generation sources, adds emission controls to existing generating facilities and increases renewable energy capacity.

During the year, SaskPower submitted a detailed response to the federal government respecting the proposed regulations. Suggested revisions were provided that will allow our company and other industry stakeholders to be better positioned to help achieve Canada's objective of reducing GHG emissions to 17% below 2005 levels, while also allowing SaskPower to:

- Achieve larger long-term emission reductions and meet our stated goal of sustainability;
- Protect and enhance the Saskatchewan economy by helping to maintain Saskatchewan's coal industry and increasing production in the oil and gas industry, through the use of captured CO_2 in enhanced oil recovery;
- Reduce the financial burden placed on customers; and
- See the successful development and implementation of a world-leading technology — carbon capture and storage.

Performance — fossil fuel CO_2 emissions intensity (tonnes CO_2/MWh)

	2010	2011	2012	2013	2014
Target	0.88	0.85	0.83	0.79	0.74
Actual	0.90	0.93			

A requirement for significant reductions in SaskPower's carbon footprint is imminent. The fossil fuel CO_2 emissions intensity indicator measures the amount of carbon dioxide equivalent (CO_2e) emissions from all SaskPower-owned coal- and gas-fired generation and CO_2e emissions from IPPs.

In 2011, the fossil fuel emissions intensity was 0.93 tonnes of CO_2/MWh, slightly higher than the target. This was due to our company using less gas-fired generation than anticipated, which has a lower CO_2e intensity relative to coal.

Carbon capture and storage (CCS)

Within the context of worldwide attention on CO_2 reduction, potentially volatile natural gas prices and an abundant local supply of coal, SaskPower is committed to finding more environmentally sustainable ways to continue to use coal in electricity production. CCS has the potential to play a central role in meeting federal and provincial GHG reduction targets by drastically reducing our carbon footprint without sacrificing economic development and growth. The technologies developed could not only have a major impact on the viability of coal in our generating system, but also far-reaching effects across the globe.

Basic capture technology has been proven through pilot projects around the world. However, full commercial-scale demonstration is still needed. In 2010, SaskPower announced that at coal-fired Boundary Dam Power Station we would be proceeding with a rebuild of Unit #3 to extend its life by 30 years. In 2011, our company formally announced its commitment to incorporate CCS technology with the same unit. It was a major step in advancing our Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, a $1.24-billion partnership involving the Government of Canada, the Government of Saskatchewan, SaskPower and private industry, which will examine CCS's economic, technical, and environmental merits.

The addition of CCS represents the largest environmental upgrade ever contemplated for coal-fired power stations in Canada. With coal currently providing the majority of the province's electricity, transformative CCS technologies will provide SaskPower with cost-competitive options for transitioning our aging and emissions-intensive coal plants into a modern low-carbon fleet.

The project is among the first commercial-scale post combustion CCS facilities in the world. At Boundary Dam Power Station Unit #3, construction is now underway to install carbon capture facilities and to upgrade the unit's output to help meet the additional power demands of the CCS operation.

The captured CO_2 is expected to be used in enhanced oil recovery (EOR). The power plant will begin operation in September of 2013, with the first CO_2 capture following shortly afterward. Full commercial operation of the CO_2 carbon capture system is scheduled for 2014 and is expected to reduce CO_2 emissions by 90%, or one million tonnes per year — equivalent to taking more than 180,000 vehicles off the road each year. In addition to capturing CO_2 for EOR, the Boundary Dam Power Station project will also capture nearly 100% of sulphur dioxide emissions to be used in the production of sulphuric acid.

Efficiency, conservation and load management

At SaskPower, our DSM Program includes initiatives targeting energy efficiency, conservation and altered patterns of electricity use. By partnering with customers to reduce and adjust electricity use, we can lessen the overall demand for power. This results in a decreased impact on the environment and reduced requirement for electrical infrastructure.

In 2011, SaskPower completed a Conservation Potential Review that analyzed three sectors: residential and farm households; commercial and institutional customers; and industrial and agricultural processes. We are currently assessing the information in the report to determine programming steps to maximize capacity and energy savings in the future.

During the year, our company also established a first-ever DSM Advisory Council, with representation from organizations that include: SaskEnergy; Saskatoon Light & Power; Government of Saskatchewan Ministry of Environment; Government of Saskatchewan Northern Affairs Division; Saskatchewan Association of Rural Municipalities; Saskatchewan Association of

Health Organizations; Regina Chamber of Commerce; University of Regina; University of Saskatchewan; The Pembina Institute; Building Owners and Managers Association; Regina Qu'Appelle Health Region, Saskatoon Health Region; and Saskatchewan Industrial Energy Consumers Association.

SaskPower's DSM programs are delivered in collaboration with private and public sector partners, including: retailers; equipment suppliers and installers; consulting engineers; contractors and technical trades; financial institutions; and government agencies.

Performance — Demand Side Management (DSM) — accumulated peak savings (MW)

	2010	2011	2012	2013	2014
Target	38	38	46	56	68
Actual	29	38			

DSM is continuing to play a larger role in SaskPower's operations. The DSM-accumulated peak savings indicator measures the progress being made in delivering new DSM programs. It records demand reduction in megawatts. The accumulated demand reduction will be achieved through energy efficiency, demand response, customer self generation, and system improvement programs that are designed to achieve energy and demand savings.

The total accumulated demand savings in 2011 was 38 MW, on target for the year. Program savings are calculated using an appropriate end-use load factor and the amount of energy savings estimated at the customer site. DSM remains on track to achieve 100 MW of savings by 2017.

In 2011, SaskPower continued to deliver a variety of programs aimed at homeowners that lessen the use of inefficient products, such as incandescent lighting and old appliances. In addition to introducing the Block Heater Timer Program and Parking Lot Controller Program, other DSM initiatives which we offered or financially supported included the: Energy Performance Contracting Service, which assists commercial and institutional customers in reducing energy-related operating costs through efficiency upgrades; Net Metering Program; Energy Efficiency for New Homes Rebate Program; Energy Star Program; Geothermal and Self-Generated Renewable Power Loan Program; Geothermal Rebate Program for commercial customers; and Energy Efficiency Lighting for Small Business Program.

Meanwhile, the communities of Central Butte, Eatonia, Shaunavon and Strasbourg were selected to participate in the SaskPower Self-Generated Electricity Demonstration Project for Rinks. Wind turbines installed in each of the four locations will help determine if self-generating electricity reduces the electricity bills associated with operating municipal ice rinks in each of the communities. The data SaskPower obtains will help guide future programming decisions around customer self-generation and energy efficiency for ice rinks and other commercial operations.

Fly ash

A byproduct of burning finely pulverized coal in coal-fired stations, fly ash is a fine ash that is sold for use in ready-mix concrete, mine backfill, oil well cementing, road base stabilization and liquid waste stabilization applications.

Using electrostatic precipitators, fly ash is captured typically in the order of 96% to 99.7%. Despite supply issues resulting from weather and routine maintenance, sales volumes were approximately 15% higher than the prior year. In 2011, construction of a fly ash collection system for Boundary Dam Power Station Unit #6 was completed. A new loading facility will be operational in 2012, which will provide 5,000 tonnes of storage, a significant increase to the current capacity of 1,200 tonnes.

SaskPower Shand Greenhouse

In 2011, SaskPower Shand Greenhouse celebrated 20 years of using waste heat from Shand Power Station to produce and distribute seedlings for community planting programs, land reclamation, shelterbelts and wildlife habitat development. During the year it distributed 520,000 seedlings, bringing total distribution to over 7.9 million. SaskPower Shand Greenhouse also reached nearly 1,600 students through Energy & Our Environment programming. Approximately 1,500 people toured the greenhouse through drop-in and guided experiences.

2011 financial results

(in millions)	2011	2010	Change
Revenue			
Saskatchewan electricity sales	**$ 1,667**	$ 1,575	$ 92
Exports	**40**	12	28
Net sales from electricity trading	**14**	4	10
Share of profit from equity accounted investees	**11**	10	1
Other revenue	**105**	90	15
	1,837	1,691	146
Expense			
Fuel and purchased power	**485**	446	39
Operating, maintenance and administration	**575**	513	62
Depreciation and amortization	**290**	266	24
Finance charges	**197**	192	5
Taxes	**43**	42	1
Other losses (gains)	**8**	9	(1)
	1,598	1,468	130
Income before the following	**$ 239**	$ 223	$ 16
Unrealized market value adjustments	**9**	(19)	28
Net income	**$ 248**	$ 204	$ 44
Return on equity[1]	**13.2%**	13.4%	(0.2)%

[1] Return on equity = (income before unrealized market value adjustments)/(average equity).

The primary factors contributing to the change in income for the year ending December 31, 2011, are presented below:

Explanation of change (in millions)	**Increase/ (decrease)**
Income before unrealized market value adjustments, for the year ending December 31, 2010	**$ 223**
Increase in Saskatchewan electricity sales as a result of increased demand	**92**
Export revenues and electricity trading profits up due to market opportunities in Alberta	**38**
Increased customer contributions for service extensions	**12**
Fuel and purchased power costs up due to unfavourable volume and price variances	**(39)**
OM&A costs up due to storm activity, increased maintenance and new initiatives	**(62)**
Depreciation expense higher as a result of capital program	**(24)**
Increase in other costs	**(1)**
Income before unrealized market value adjustments, for the year ending December 31, 2011	**$ 239**

Highlights and summary of results

SaskPower's consolidated income before unrealized market value adjustments was $239 million in 2011 compared to $223 million in 2010. The increase in earnings was primarily due to higher Saskatchewan electricity sales. The return on equity was 13.2%, down 0.2 percentage points from the previous year.

Total revenue was $1,837 million, up $146 million from 2010. Electricity sales volumes to Saskatchewan customers were 19,226 gigawatt hours (GWh), up 608 GWh or 3% compared to the prior year. In addition, SaskPower benefited from the full year impact of the 4.5% system-wide average rate increase that became effective August 1, 2010. Exports and electricity trading increased a total of $38 million due to higher sales prices and volumes as a result of increased market opportunities in Alberta. In addition, other revenue rose $15 million as a result of higher customer contributions.

Total expense was $1,598 million, up $130 million from 2010. As a result of higher coal and import prices and generation volumes, fuel and purchased power costs were up $39 million compared to the prior year. OM&A costs were up $62 million as the result of increased storm activity, additional maintenance costs and spending on various new initiatives.

Depreciation expense increased $24 million compared to 2010 as a result of significant investments in SaskPower's property, plant and equipment. Finance charges increased $5 million compared to 2010 due to additional interest expense incurred on our company's long-term borrowings and lower interest capitalized.

SaskPower reported $9 million of unrealized market value net gains in 2011, compared to $19 million of net losses in 2010. The unrealized market value adjustments represent the change in the market value of our company's outstanding natural gas hedges; electricity contracts; and debt retirement funds at year-end.

In 2011, SaskPower did not declare any dividends payable to CIC. This was consistent with the prior year. In the first quarter of 2012, it was determined that SaskPower would pay a special $120 million dividend to CIC as a result of higher than expected earnings in 2011. The special dividend is payable in equal quarterly instalments commencing on March 30, 2012.

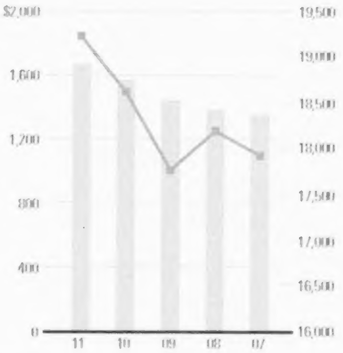
Revenue

A. Saskatchewan electricity sales

(in millions)	2011	2010	Change
Saskatchewan electricity sales	**$ 1,667**	$ 1,575	$ 92

Saskatchewan electricity sales represent the sale of electricity to all customer classes within the province. These sales are subject to the effects of general economic conditions, number of customers, weather and electricity rates.

Saskatchewan electricity sales were $1,667 million, up $92 million from 2010. The increase was due to a growth in sales volumes and the full year impact of a system-wide average rate increase of 4.5% that became effective August 1, 2010. Electricity sales volumes to Saskatchewan customers were 19,226 GWh, up 608 GWh or 3% compared to the prior year. The rise in sales volumes was driven by the residential and major key account customer classes, which showed a combined increase of 513 GWh, or 5% in 2011 compared to 2010.



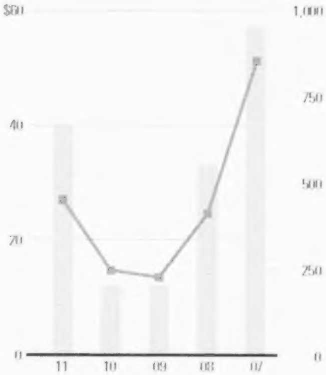
SASKATCHEWAN ELECTRICITY SALES

B. Exports

(in millions)	2011	2010	Change
Exports	**$ 40**	$ 12	$ 28

Exports represent the sale of SaskPower's surplus generation to other regions in Canada and the United States. The bulk of our company's exports are traditionally made to the neighbouring Alberta and Midwest Independent Transmission System Operator (MISO) markets. Export pricing is not subject to the rate review process but is determined based on market conditions in other jurisdictions. Export sales volumes are dependent on the availability of surplus SaskPower generation, market conditions in other jurisdictions, and transmission availability.

Exports were $40 million in 2011, up $28 million from 2010. Exports increased significantly due to unplanned unit outages in Alberta, which increased the volume and average price of exports to that market. Export sales volumes increased 205 GWh, or 84% compared to 2010. The average export sales price almost doubled from $49/megawatt hour (MWh) in 2010 to $89/MWh in 2011.



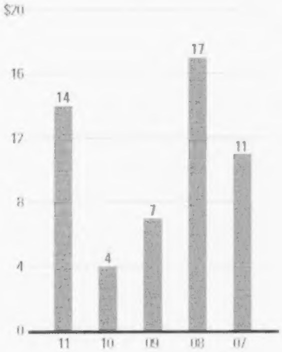
EXPORTS

C. Net sales from electricity trading

(in millions)	2011	2010	Change
Electricity trading revenue	$ 55	$ 42	$ 13
Electricity trading costs	(41)	(38)	(3)
Net sales from electricity trading	**$ 14**	$ 4	$ 10

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions Inc., include the purchase and resale of electricity and other derivatives in regions outside Saskatchewan. The trading activities include both real-time as well as short- to long-term physical and financial trades in the North American market. The trading activities are intended to deliver positive gross margins to SaskPower's bottom line while operating within an acceptable level of risk.

Electricity trading revenue was $55 million, up $13 million from 2010. The increase was due to growth in the average sales price and slightly higher sales volumes largely as a result of increased demand from Alberta. The average electricity trading sales price was approximately $70/MWh in 2011, compared to $51/MWh in 2010. Trading volumes increased by 5 GWh to 618 GWh in 2011. As a result, the net sales after deducting purchased power costs was $14 million in 2011, up $10 million compared to 2010.



NET SALES FROM ELECTRICITY TRADING (millions)

D. Share of profit from equity accounted investees

(in millions)	2011	2010	Change
Share of profit from equity accounted investees	**$ 11**	$ 10	$ 1

Our company's investments that are accounted for using the equity method include its 30% ownership in the MRM Cogeneration Station and a 50% ownership in the Cory Cogeneration Station. The MRM Cogeneration Station is a 172-MW natural gas-fired cogeneration facility located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. The electricity generated by the facility is used by the mine, with excess energy delivered to the Alberta power grid. The Cory Cogeneration Station is a 228-MW natural gas-fired cogeneration plant located at the Potash Corporation of Saskatchewan Cory Division, near Saskatoon, Saskatchewan. The electricity generated by the facility is sold to SaskPower under the terms of a 25-year PPA.

SaskPower's share of profit from its investments in the MRM Cogeneration Station and Cory Cogeneration Station was $11 million in 2011, essentially unchanged from the prior year.

E. Other revenue

(in millions)	2011	2010	Change
Other revenue	**$ 105**	$ 90	$ 15

Other revenue includes various non-electricity products and services. Other revenue increased $15 million to $105 million in 2011. The rise was largely due to the record $55 million in customer contributions received in 2011 — a $12 million increase over 2010. Customer contributions are funds received from certain customers for the costs of service connections. These contributions are recognized immediately in income when the related property, plant and equipment is available for use.

Expense

A. Fuel and purchased power

(in millions)	2011	2010	Change
Fuel and purchased power	**$ 485**	$ 446	$ 39

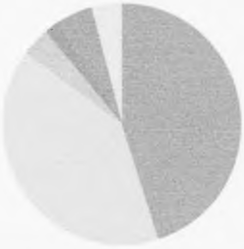
SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities and through PPAs, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve our company's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

Fuel and purchased power costs were $485 million in 2011, up $39 million from 2010. The increase is a result of unfavourable volume, price and fuel mix variances.

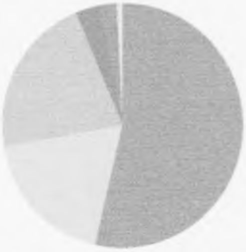
Total generation and purchased power was 21,611 GWh in 2011, an increase of 852 GWh compared to 2010. The increased generation was required to supply the growth in Saskatchewan and export sales. The higher demand resulted in an estimated $16 million increase in fuel and purchased power costs.

In addition, there was an increase in the price of fuel including higher average prices for both coal and imports. Coal prices increased as a result of contracted price adjustments which are driven in part by changes in various price indices. As well, the Boundary Dam Power Station was heavily impacted by Souris River flooding. Coal had to be brought in from other locations at a much higher cost to our company. The net impact of the increase in fuel prices was an estimated $22 million increase in fuel and purchased power costs.

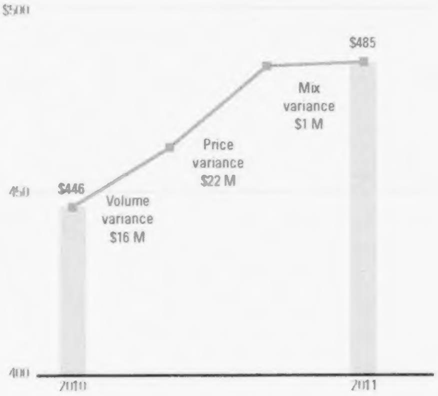
The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal and wind, the more favourable the impact on fuel and purchased power costs. During 2011, record rainfall in parts of the province resulted in hydro generation levels that were 775 GWh or 20% above 2010 levels (and 40% above median levels). However, this same rainfall negatively impacted the ability of SaskPower to supply coal to the Boundary Dam Power Station. This resulted in a reduction in coal generation of 424 GWh or approximately 4% from the same period in 2010. The net impact was that combined coal and hydro generation accounted for 75% of total generation in 2011, compared to 77% in the same period during 2010. Therefore, production from our company's natural gas facilities was increased in order to meet the higher demand requirements. The net financial impact of the change in the fuel mix was an estimated $1 million increase in fuel and purchased power costs.



2011 FUEL AND PURCHASED POWER – $485 million



2011 GROSS ELECTRICITY SUPPLIED – 21,611 GWh



FUEL AND PURCHASED POWER VARIANCE (millions)

B. Operating, maintenance and administration (OM&A)

(in millions)	2011	2010	Change
OM&A	**$ 575**	$ 513	$ 62

OM&A expense was $575 million in 2011, up $62 million from 2010. The increase was largely due to a $25 million increase in spending on maintenance activities during the year. This included emergency maintenance to address damage to transmission infrastructure caused by winter and summer storm activity, as well as an increase in preventative maintenance activities on SaskPower's transmission and distribution assets. In addition, there was a nearly 75% increase in the number of hours dedicated to performing overhauls at our company's generation facilities.

There was also a $5 million increase in operating costs as a result of additional PPA costs and the commissioning of the new Spy Hill Generating Station in the fall of 2011. In addition, SaskPower donated $3.5 million to the University of Regina to facilitate carbon capture and storage research and $3.5 million to the University of Saskatchewan for power systems engineering research.

Finally, there was a $25 million increase in spending on various new initiatives, including feasibility studies related to new generation options; information technology and support projects; Business Renewal Program activities; and additional DSM programs.

C. Depreciation and amortization

(in millions)	2011	2010	Change
Depreciation and amortization	**$ 290**	$ 266	$ 24

Depreciation represents a charge to income for the capital expenditures of SaskPower. The capital expenditures are amortized to income on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation rates are established based on periodic depreciation studies.

Depreciation expense was $290 million in 2011, up $24 million from 2010. The rise was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures. In addition, following the completion of an external depreciation study in 2010, the estimated useful lives of certain asset components were changed. The changes in estimates were applied prospectively effective January 1, 2011, and resulted in approximately an $8 million increase to depreciation expense in 2011.

D. Finance charges

(in millions)	2011	2010	Change
Finance charges	**$ 197**	$ 192	$ 5

Finance charges include the net of interest on long-term and short-term debt; interest on finance leases; unwinding discount on provisions; interest capitalized; debt retirement fund earnings; and interest income.

Finance charges were $197 million in 2011, up $5 million from 2010. There was $6 million of additional interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures. Finance lease expense increased $3 million as a result of the commissioning of the Spy Hill Generating Station in the fall of 2011. There was also a $3 million decrease in the amount of interest capitalized during the year. These increases in finance charges were partially offset by a $7 million increase in debt retirement fund earnings.

E. Taxes

(in millions)	2011	2010	Change
Taxes	**$ 43**	$ 42	$ 1

Taxes represent the payment of corporation capital tax to the Province of Saskatchewan and grants-in-lieu of taxes paid to 13 cities in Saskatchewan.

Taxes were $43 million in 2011, up $1 million from 2010. This increase was due to an increase in grants-in-lieu of taxes as a result of rising Saskatchewan electricity sales.

F. Other losses (gains)

(in millions)	2011	2010	Change
Other losses (gains)	**$ 8**	$ 9	$ (1)

Other losses (gains) include the loss or gain on asset disposals and retirements, foreign exchange and environmental remediation activities.

Other losses were $8 million in 2011, down $1 million compared to 2010. The losses on disposal and retirement of assets decreased $3 million from the prior year as a result of a gain on the sale of a building in 2011. The reduction in the losses on asset disposal and retirement was offset by a $2 million increase in the provisions for environmental remediation activities as a result of using a lower discount rate to value the provisions at year-end.

G. Unrealized market value adjustments

(in millions)	2011	2010	Change
Natural gas contracts	**$ (2)**	$ (19)	$ 17
Natural gas inventory revaluation	**(6)**	–	(6)
Electricity contracts	**6**	(3)	9
Debt retirement funds	**11**	3	8
Unrealized market value gains (losses)	**$ 9**	$ (19)	$ 28

Unrealized market value adjustments represent the change in the market value of SaskPower's outstanding derivative and held-for-trading financial instruments. These non-cash transactions resulted in a net market value gain for the year of $9 million, compared to a net loss of $19 million in the prior year.

SaskPower had outstanding natural gas hedges of approximately 32 million notional gigajoules (GJs) to cap the price of natural gas on a portion of our company's anticipated natural gas needs for 2012 through 2016. The unrealized market value losses on these outstanding natural gas hedges and forward natural gas contracts were $2 million. The losses are the result of a decrease in the forward market price of natural gas relative to the hedged price. These unrealized losses are subject to significant volatility based on movements in the forward price of natural gas.

In addition, SaskPower recorded a $6 million downward revaluation of our company's natural gas inventory held in storage. This downward revaluation was the result of a decline in natural gas market prices. SaskPower recorded no revaluation of its natural gas inventory in 2010.

Unrealized market value gains related to SaskPower's outstanding electricity derivative contracts were $6 million, a $9 million improvement from the prior year as a result of an increase in forward electricity prices in Alberta. Our company also recorded $11 million in market value adjustments related to its debt retirement funds, which represents an $8 million improvement compared to the prior year.

2011 quarterly results

The following chart outlines the quarterly results of SaskPower in 2011. Our company reported strong income results in all quarters of 2011 as a result of high electricity sales driven by the residential and major key account customer classes.

(in millions)	Q1	Q2	Q3	Q4	Total
Revenue					
Saskatchewan electricity sales	$ 443	$ 392	$ 413	$ 419	**$ 1,667**
Exports	9	5	10	16	**40**
Net sales from electricity trading	–	3	7	4	**14**
Share of profit from equity accounted investees	3	2	3	3	**11**
Other revenue	18	18	36	33	**105**
	473	420	469	475	**1,837**
Expense					
Fuel and purchased power	126	106	120	133	**485**
Operating, maintenance and administration	120	143	138	174	**575**
Depreciation and amortization	70	71	73	76	**290**
Finance charges	51	50	50	46	**197**
Taxes	12	11	11	9	**43**
Other losses (gains)	1	(1)	2	6	**8**
	380	380	394	444	**1,598**
Income before the following	$ 93	$ 40	$ 75	$ 31	**$ 239**
Unrealized market value adjustments	6	4	16	(17)	**9**
Net income	$ 99	$ 44	$ 91	$ 14	**$ 248**

Financial position

The following chart outlines changes in the consolidated statement of financial position from December 31, 2010, to December 31, 2011:

(in millions)	Increase/ (decrease)	Explanation of change
Accounts receivable and unbilled revenue	$ 9	Timing of customer receipts.
Inventory	10	Increase in supplies for capital projects offset by downward revaluation of natural gas inventory held in storage.
Prepaid expenses	1	Timing of payments.
Property, plant and equipment	464	Capital additions offset by depreciation expense and asset disposals and retirements.
Intangible assets	28	Capitalization of new billing system and other corporate information and technology assets less amortization expense.
Debt retirement funds	62	Instalments and earnings plus market value adjustments.
Investments accounted for using equity method	6	Equity investment income net of distributions.
Other assets	(2)	Amortization of long-term coal supply agreements.
Bank indebtedness	(1)	Refer to Consolidated Statement of Cash Flows.
Accounts payable and accrued liabilities	105	Timing of payments and increase in deferred customer contributions.
Accrued interest	–	
Risk management liabilities (net of risk management assets)	(4)	Improvement in the forward prices of electricity trading contracts.
Short-term advances	92	Use of variable short-term advances to finance SaskPower's capital expenditures.
Long-term debt	(1)	Amortization of debt premiums.
Finance lease obligations (including current portion)	143	Increase in finance lease obligations upon commissioning of the Spy Hill Generating Station offset by lease repayments.
Employee benefits	112	Actuarial losses offset by SaskPower's contribution to the defined benefit pension plan.
Provisions	26	Increase in decommissioning provisions and unwinding the discount on SaskPower's provisions.
Equity	106	2011 comprehensive income.

Liquidity and capital resources

SaskPower raises most of its capital through internal operating activities and through borrowings obtained from the Government of Saskatchewan Ministry of Finance. This type of borrowing allows our company to take advantage of the Government of Saskatchewan's strong credit rating. *The Power Corporation Act* provides SaskPower with the authority to have outstanding borrowings of up to $5 billion. This includes $1.4 billion which may be borrowed by way of temporary loans through the Government of Saskatchewan and through available credit of $51 million at financial institutions.

The other major sources of financing utilized by our company include non-recourse debt that was issued in 2001 to finance SaskPower's share of the Cory Cogeneration Station and $660 million in equity advances that were provided by CIC from 1989-1992 to form CIC's equity capitalization in SaskPower.

Cash flow highlights

(in millions)	December 31 2011	December 31 2010	Change
Bank indebtedness	**$ (6)**	$ (7)	$ 1

SaskPower's cash position improved $1 million during 2011. The $1 million improvement in the cash position was the result of $543 million provided by operating activities and $63 million provided by financing activities, offset by $605 million used in investing activities.

A. Operating activities

(in millions)	2011	2010	Change
Cash provided by operating activities	**$ 543**	$ 437	$ 106

Cash provided by operating activities was up $106 million in 2011 compared to 2010. The $106 million increase was attributable to improved revenues as a result of the growth in Saskatchewan electricity sales; export and trading revenue; and an increase in customer contributions.

B. Investing activities

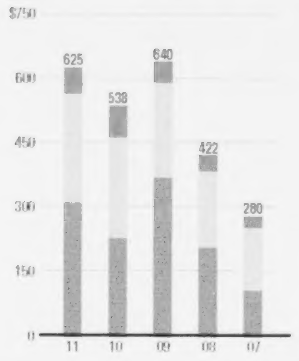
(in millions)	2011	2010	Change
Generation	**$ 311**	$ 229	$ 82
Transmission and distribution	**253**	234	19
Other	**61**	75	(14)
Total capital expenditures	**$ 625**	$ 538	$ 87
Less: Interest capitalized	**(12)**	(15)	3
Net proceeds from disposal of assets	**(2)**	–	(2)
Distributions from equity accounted investees	**(6)**	(7)	1
Cash used in investing activities	**$ 605**	$ 516	$ 89

In order to ensure a safe, reliable, and sustainable supply of electricity for its customers, SaskPower spent $625 million on various capital projects during 2011, compared to $538 million in 2010. Our company invested in the following areas during the year:

- $257 million on the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, partially offset by $69 million in government grant funding.
- $123 million on renewing other generation assets, including $20 million on refurbishment of Unit #4 at the Island Falls Hydroelectric Station.

- $132 million to connect customers to the SaskPower electric system.
- $94 million on increasing capacity and sustaining transmission and distribution infrastructure. In addition, $16 million was spent on vehicles and equipment and $11 million on the testing and replacement of aging wooden poles.
- $61 million on other property, plant and equipment, including $13 million implementing SaskPower's new billing system and $23 million on corporate information and technology assets.

SaskPower also received $2 million in net proceeds on the disposal of certain assets, as well as $6 million in equity distributions from the MRM and Cory Cogeneration Stations.



CAPITAL EXPENDITURES (millions)

C. Financing activities

(in millions)	2011	2010	Change
Net proceeds from (repayment of) short-term advances	$ 92	$ (113)	$ 205
Proceeds from long-term debt	–	216	(216)
Debt retirement fund instalments	(27)	(25)	(2)
Principal repayment of finance lease obligations	(2)	(1)	(1)
Cash provided by financing activities	$ 63	$ 77	$ (14)

In 2011, $63 million of cash was provided by financing activities, compared to $77 million in 2010. This included $92 million in short-term advances provided through the Government of Saskatchewan's General Revenue Fund offset by $27 million in debt retirement fund instalments and $2 million in lease principal repayments.

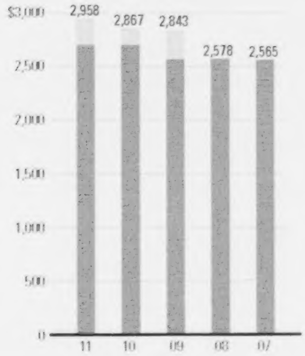
Capital management

(in millions)	December 31 2011	December 31 2010	January 1 2010
Long-term debt	$ 2,707	$ 2,708	$ 2,493
Short-term advances	251	159	272
Finance lease obligations	555	412	413
Total debt	$ 3,513	$ 3,279	$ 3,178
Debt retirement funds	(353)	(291)	(246)
Bank indebtedness	6	7	5
Total net debt	$ 3,166	$ 2,995	$ 2,937
Retained earnings	1,204	1,099	898
Accumulated other comprehensive loss	–	(1)	(1)
Equity advances	660	660	660
Total capital	$ 5,030	$ 4,753	$ 4,494
Per cent debt ratio[1]	63.0%	63.0%	65.4%

[1] Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds – cash and cash equivalents).

SaskPower's total debt position (including finance lease obligations) was $3.5 billion at December 31, 2011, up $234 million from December 31, 2010. The increase was the result of an additional $92 million in short-term borrowings and $145 million in finance lease obligations related to the commissioning of the Spy Hill Generating Station in the fall of 2011. These increases were offset by $3 million in lease principal repayments and amortization of debt premiums.

SaskPower's per cent debt ratio was 63.0% at the end of 2011, consistent with 2010.



LONG-TERM DEBT AND SHORT-TERM ADVANCES (millions)

▨ LONG-TERM DEBT
□ SHORT-TERM ADVANCES

Debt retirement fund instalments

(in millions)	2011	2010	Change
Debt retirement fund instalments	**$ 27**	$ 25	$ 2

Debt retirement funds are monies set aside to retire outstanding long-term debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Government of Saskatchewan's General Revenue Fund.

During the year, our company made $27 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Government of Saskatchewan's General Revenue Fund. SaskPower also earned $24 million (included with finance charges and classified as non-cash operating activities), on the debt retirement funds for the year.

Dividends

In 2011, SaskPower did not declare any dividends payable to CIC consistent with the prior year. In the first quarter of 2012, it was determined that SaskPower would pay a special $120 million dividend to CIC as a result of higher than expected earnings in 2011. The special dividend is payable in equal quarterly instalments commencing on March 30, 2012.

Contractual obligations

SaskPower has the following significant long-term contractual obligations as at December 31, 2011, which will impact cash flows in 2012 and beyond:

(in millions)	1 year	1 - 5 years	More than 5 years
Long-term debt (including principal and interest)	$ 174	$ 770	$ 4,865
Debt retirement fund instalments	27	104	400
Future minimum lease payments	71	298	1,070

SaskPower's financing requirements for the next year will include $174 million in interest payments, $27 million of debt retirement fund instalments, and $71 million in minimum lease payments under existing PPAs. Included in the future minimum lease payments is the availability payments related to the PPAs, which have been classified as finance leases. SaskPower evaluates the need for additional borrowings throughout the year.

Outlook

SaskPower's income before unrealized market value adjustments is expected to be $157 million in 2012, resulting in a return on equity of 7.6%.

In 2012, revenues are expected to increase $81 million to $1.872 billion due to a 1,375 GWh increase in Saskatchewan electricity sales, primarily in the major key account customers segment. The increase in Saskatchewan electricity sales is expected to be offset by a $39 million combined decrease in exports and electricity trading as a result of stability in electricity market prices in 2012.

Fuel and purchased power costs are expected to increase $50 million. This is due to higher generation volumes and an unfavourable change in the fuel mix, as hydro is budgeted to return to median levels from record highs in 2011. OM&A expense is expected to be $7 million higher, due to increased salary and maintenance costs required to maintain our company's growing infrastructure. Finance charges, depreciation, capital tax and other expenses are expected to increase $60 million as a result of SaskPower's ongoing capital program.

These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

SaskPower also expects to continue to make substantial investments in its infrastructure over the next 10 years. Capital expenditures in 2012 are forecast to be approximately $998 million. This includes costs for the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project and Unit #3 refurbishment; maintaining and refurbishing the existing fleet; upgrading various transformers, and transmission and distribution lines; and connecting new customers to SaskPower's grid.

SaskPower subsidiaries

SaskPower has three wholly-owned subsidiaries: NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (SaskPower Shand Greenhouse) and SaskPower International Inc. (SaskPower International). The financial activities of SaskPower's subsidiaries are consolidated within the financial statements of SaskPower in accordance with IFRS. Separate financial statements are prepared and issued for NorthPoint and SaskPower Shand Greenhouse. SaskPower International has no active operations beyond its joint venture interests in the Cory Cogeneration Station and the Cory Cogeneration Funding Corporation and its investment in the MRM Cogeneration Station over which it exerts significant influence.

NorthPoint

(in millions)	**2011**	2010	Change
Revenue	**$ 22**	$ 10	$ 12
Expense	**(8)**	(9)	1
Income before the following	**$ 14**	$ 1	$ 13
Unrealized market value adjustments	**7**	(3)	10
Net income	**$ 21**	$ (2)	$ 23

NorthPoint is a wholly-owned subsidiary of SaskPower. It was formed in late 2001 to meet requirements associated with SaskPower's OATT, which mandates the separation of transmission and wholesale marketing functions. NorthPoint has a service agreement with SaskPower to perform generation and load management services, provide electricity export and import functions related to the generation assets of SaskPower, and manage SaskPower's natural gas supplies for its natural gas-fired power plants.

NorthPoint also acts as a principal in wholesale electricity trading transactions that do not relate to the generation assets of SaskPower. In Canada, it operates in Alberta, Manitoba and Ontario. In the United States, it actively participates in markets in the Northwest, Mid-continent, and Northeast. NorthPoint operates mainly under two umbrella trading agreements: Mid-Continent Energy Marketers Association Tariff and Western Systems Power Pool Agreement.

In 2011, NorthPoint reported income before unrealized market value adjustments of $14 million, compared to $1 million in 2010. The $13 million increase is primarily due to improved profits from electricity trading activities as a result of enhanced opportunities in the Alberta market.

SaskPower Shand Greenhouse

The mandate of SaskPower Shand Greenhouse is to provide seedlings to propagate native vegetation and deliver environmental educational programs. SaskPower Shand Greenhouse has entered into an agreement with SaskPower, whereby it operates the greenhouse and in turn SaskPower funds the SaskPower Shand Greenhouse for costs incurred. The annual operating costs of the SaskPower Shand Greenhouse are approximately $0.8 million.

Related party transactions

In 2008, the federal government provided the Government of Saskatchewan's General Revenue Fund with $240 million to support carbon capture and storage demonstration projects. The General Revenue Fund subsequently transferred these funds to CIC. From 2008 to April 2011, CIC reimbursed SaskPower for eligible expenditures on the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. In April 2011, cabinet gave SaskPower official approval to proceed with the initiative. In June 2011, CIC transferred the unspent federal government grants totaling $67 million to SaskPower. Included in OM&A expense is $30 million (2010 – $110 million) of federal government grants. Netted against the property, plant, and equipment additions for capitalized costs of the project incurred since approval was obtained in April 2011 is $69 million of grant funding (2010 – $nil).

In addition, in 2011 SaskPower donated $3.5 million to the University of Regina to facilitate carbon capture and storage research and $3.5 million to the University of Saskatchewan for power systems engineering research.

SaskPower also has a number of routine transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to our company by virtue of common control by the Government of Saskatchewan. These transactions with related parties are settled at prevailing market prices under normal trade terms. Related party transactions are disclosed in *Note 29* to the consolidated financial statements.

International Financial Reporting Standards (IFRS)

In preparing the opening IFRS statement of financial position, SaskPower adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The impact on SaskPower's equity as at January 1, 2010 (transition date), and December 31, 2010, is presented below:

	Increase (decrease)	
(in millions)	**January 1 2010**	**December 31 2010**
Total equity under Canadian GAAP	**$ 1,632**	**$ 1,792**
IFRS adjustments to equity:		
Recognition of customer contributions	322	350
Recognition of actuarial gains and losses on employee benefit plans	(185)	(137)
Recognition of finance lease obligations	(153)	(167)
Restatement of property, plant and equipment	(116)	(138)
Restatement of land and building assets to fair value at transition	57	56
Restatement of provisions	(7)	(8)
Recognition of onerous contract and sublease	(1)	–
Recognition of compensated absences	(1)	(1)
Restatement of associates and joint venture interests	9	11
Total IFRS adjustments	(75)	(34)
Total equity under IFRS	**$ 1,557**	**$ 1,758**

The change in accounting policies and an explanation of how the transition from Canadian GAAP to IFRS has affected SaskPower's financial position, income, and cash flows is provided in *Notes 31* and *32* to the consolidated financial statements.

Analysis of critical accounting policies and estimates

SaskPower's significant accounting policies are described in *Note 3* to the consolidated financial statements. Some of these policies involve accounting estimates that require management to make particularly subjective or complex judgments about matters that are inherently uncertain. Different conditions or assumptions regarding the estimates could result in materially different results being reported. Management has discussed the development and selection of these critical accounting policies with the Board of Directors and the external auditors.

The following section discusses the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements.

Revenue

Electricity revenues are billed on a systematic basis over a monthly or quarterly period for all SaskPower customer classes. At the end of each month, SaskPower makes an estimate of the electricity delivered to its customers since their last billing date. The estimated unbilled revenue is based on several factors, including estimated consumption for each customer, applicable customer rates and the number of days between the last billing date and the end of the period. As at December 31, 2011, total Saskatchewan electricity sales of $1,667 million included $60 million of estimated unbilled revenue.

Allowance for doubtful accounts

An allowance for doubtful accounts is calculated for both energy and non-energy sales. The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible based on past experience. Historically, SaskPower has not written-off a significant portion of its accounts receivable balances.

Depreciation

Property, plant and equipment represent 86% of total assets recognized on SaskPower's statement of financial position. Included in property, plant and equipment are the generation, transmission, distribution and other assets of SaskPower. Due to the size of SaskPower's property, plant and equipment, changes in estimated depreciation rates can have a significant impact on income.

Depreciation is recognized on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation commences when the property, plant and equipment is ready for its intended use. The estimated useful life of property, plant and equipment is based on manufacturer's guidance, past experience and future expectations regarding the potential for technical obsolescence. The estimated useful lives of the components are based on formal depreciation studies that are performed every five years, with annual reviews for reasonableness. A one-year increase in the average estimated service life of each of the major asset classes of property, plant and equipment would result in a $16 million decrease to depreciation expense in the current year.

Following the completion of an external depreciation study, the estimated useful lives of certain asset components were changed. The change in estimate was applied prospectively, effective January 1, 2011. The impact of the change in estimated useful lives was an increase in depreciation expense of approximately $8 million in 2011. See *Note 3(e)* and *Note 8* to the consolidated financial statements for additional discussion of SaskPower's depreciation expense.

Provisions

A provision is recognized if, as a result of a past event, SaskPower has a present legal or constructive obligation that can be estimated reliably. It must also be probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in profit or loss as a finance expense.

Decommissioning provisions

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. SaskPower recognizes decommissioning provisions in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. Our company recognizes provisions to decommission coal, natural gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes provisions for the decommissioning of assets containing polychlorinated biphenyls (PCBs) in excess of existing federal regulations.

The fair value of the estimated decommissioning costs is recorded as a provision, with an offsetting amount capitalized and included as part of property, plant and equipment. The decommissioning provisions are increased periodically for the passage of time by calculating interest expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding anticipated future cash flows, including the method and timing of decommissioning and estimates of future inflation. Decommissioning provisions are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the obligation and the related asset.

Environmental remediation liabilities

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of SaskPower, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. SaskPower reviews its estimates of future environmental expenditures on an ongoing basis.

A 0.5% increase in the discount rate would result in a $10 million decrease to the decommissioning provisions and environmental remediation liabilities and would have no material impact on finance expense in the current year. See *Note 3(h)* and *Note 22* to the consolidated financial statements for additional discussion of SaskPower's provisions.

Employee benefits

As explained in *Note 3(o)* and *Note 30* in the consolidated financial statements, SaskPower provides post-retirement benefits to employees, including those from a defined benefit pension plan (the Plan). The Plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI).

The cost of pension benefits under the Plan are determined by an independent actuary using the projected unit credit method. This reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing. In 2011, based on long-term assumptions the actuary calculated pension income of $1 million compared to $7 million in expense in 2010. This is a non-cash item that is included in OM&A expense on the statement of income. SaskPower also recognized the current status of the Plan on the statement of financial position and the actuarial gains and losses of the Plan directly in other comprehensive income.

Actuarial gains and losses

Actuarial gains and losses on Plan assets are determined by calculating the difference between actual and expected returns of Plan assets based upon long-term actuarial assumptions. Actuarial gains and losses on the accrued benefit obligation are calculated by an independent actuary based on the discount rate in effect at period end. For the year ending December 31, 2011, $143 million in actuarial losses were recognized directly in other comprehensive income relating to SaskPower's defined benefit pension plans.

Changes in the long-term assumptions, including the anticipated return on plan assets and the discount rates used in determining the benefit obligation and current period service costs, can have a significant impact on the pension costs of SaskPower.

Expected long-term rate of return

The expected long-term rate of return on plan assets is based upon economic forecasts for the types of investments held by the Plan. In 2011, the expected long-term rate of return on plan assets remained at 6.75%, consistent with the prior year. A 0.25% increase in the expected long-term rate of return on plan assets would result in a $2 million increase in pension income and no change in the employee benefits liability recorded in the consolidated financial statements.

Discount rate

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of SaskPower's obligations. The discount rate was decreased from 5.25% at the beginning of the year to 4.25% at the end of the year to reflect the change in bond markets over that period. A 0.25% increase in the discount rate would result in a $1 million decrease in pension income and a $26 million decrease in the employee benefits liability recorded in the consolidated financial statements.

Future accounting policy changes

Financial Instruments

IFRS 9, *Financial Instruments*, was issued by the International Accounting Standards Board (IASB) on November 12, 2009, and will replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. SaskPower has not yet determined the impact of IFRS 9 on its financial statements.

Consolidated and Separate Financial Statements

IFRS 10, *Consolidated Financial Statements*, and IAS 27, *Separate Financial Statements*, were issued by the IASB on May 12, 2011, and together will replace IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included with the consolidated financial statements of the parent company. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements. IFRS 10 and IAS 27 are both effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IFRS 10 or IAS 27 on its financial statements.

Joint Arrangements

IFRS 11, *Joint Arrangements*, was issued by the IASB on May 12, 2011, and will replace IAS 31, *Interests in Joint Ventures*. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of the joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IFRS 11 on its financial statements.

Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities*, was issued by the IASB on May 12, 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IFRS 12 on its financial statements.

Fair Value Measurement

IFRS 13, *Fair Value Measurement*, was issued by the IASB on May 12, 2011. IFRS 13 provides a precise definition of fair value and acts as a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IFRS 13 on its financial statements.

Investments in Associates and Joint Ventures

An amended version of IAS 28, *Investments in Associates and Joint Ventures*, was issued by the IASB on May 12, 2011. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. IAS 28 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IAS 28 on its financial statements.

Employee Benefits

An amended version of IAS 19, *Employee Benefits*, was issued by the IASB on September 16, 2011. The revised IAS 19 eliminates the option to defer the recognition of gains and losses (the 'corridor method'); streamlines the presentation of changes in asset and liabilities arising from defined benefit plans; and enhances the disclosure requirements for defined benefit plans. The amended version of IAS 19 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IAS 19 on its financial statements.

Risk management

SaskPower is subject to numerous risks and uncertainties that could have adverse effects on the achievement of business objectives and our company's financial and operating position. These risks are managed through an Enterprise Risk Management (ERM) Program that enables strategic, financial, operational, environmental, compliance and reputation risks to be managed and aligned with our strategic business objectives. While our philosophy is that risk management is the responsibility of all employees, specific responsibilities are described below.

The Board of Directors provides overall stewardship of SaskPower, establishes policies and procedures, defines acceptable risk tolerance, and receives an annual report of top risks. The report provides a holistic view of SaskPower's top risks, how the magnitude and probability of the risks are assessed, who is responsible to manage these risks, and how these risks are mitigated. The report helps the Board of Directors fulfill its requirement to understand the key risks and to direct management to address any risk levels it believes are not optimal for shareholder value preservation and creation. The Audit and Finance Committee of the Board of Directors annually reviews SaskPower's risk appetite and tolerances, its risk profile, and the sufficiency of the ERM Program.

Our President and Chief Executive Officer has ultimate accountability for risk management and is supported by the executive and direct reports who provide senior management oversight of risk in our company.

Risk Management is staffed by experienced risk professionals who are responsible for ERM reporting to the Board, the Audit and Finance Committee, and the executive. They participate in the identification, analysis and reporting of risks in major projects; analyze commercial and environmental risk exposures in our assets and trading operations; and ensure our daily market price exposure is kept within approved risk metrics including value at risk (VaR), position limits, term limits, and market limits.

In 2011, CIC issued a policy and standard for risk management requiring all Crown corporations to establish a consistent and robust approach to risk management. SaskPower's ERM Program is entirely consistent with the new policy.

Major risk factors

Each year, SaskPower identifies the top risks that could affect our financial and operating results and the achievement of business objectives. These risks are identified by our executive, across all business units, corporate groups and subsidiaries. These risks do not occur in isolation, but must be considered in conjunction with each other and in the context of the entire organization.

1. **Uncertain operating environment (political, regulatory, economic, environmental)**
   SaskPower is subject to extensive federal, provincial and local government regulations, all of which are subject to change. Failure to comply with rules and regulations pertaining to air quality, water quality, waste management, natural resources and health and safety may give cause to a number of sanctions. These may include fines, penalties, administrative costs and even stop work orders. Compliance with new laws or the revision or reinterpretation of existing laws may require us to incur additional expenses.

   Environmental risks are risks associated with changes in environmental regulations or exposures. In 2011, the federal government issued new draft regulations substantially limiting CO_2 emissions for existing and new coal-fired generation. These proposed regulations, which would come into effect in 2015, would require additional capital investments in CO_2 capture and storage technologies and influence choices for generation options. It is anticipated that political and public attention to environmental concerns will continue in the future, and may result in more legislation and higher compliance costs.

   We manage regulatory risks by working with governments, regulators, and other stakeholders to ensure regulatory compliance and the resolution of any issues that may arise. Management believes that the necessary approvals have been obtained and are maintained for our existing operations and that our business is conducted in accordance with applicable laws. Our Law, Land and Regulatory Affairs department provides knowledgeable interpretations in this regard.

   Changes in general economic conditions impact electricity demand, revenue, operating costs, interest rates, timing and extent of capital expenditures, results of financing efforts, credit risk, and counterparty risk. SaskPower monitors events in its business environment and endeavours to anticipate any impacts on our company. In addition, SaskPower has Board-approved policies in place to limit exposure to these risks and routinely evaluates their effectiveness and makes appropriate policy adjustments.

2. Return on equity (ROE) and rate increases

The need for substantial investments in new infrastructure over the next 10 years may require rate increases to help maintain financial strength and capacity. Any proposed rate adjustments are subject to review by the Saskatchewan Rate Review Panel (SRRP), with final approval required by cabinet. The SRRP considers electricity billing rates based on projected electricity load and consumption levels. If actual load or consumption falls below projected levels, our rate of return could be adversely affected. SaskPower expects to make significant investments in the coming years in generation, and transmission and distribution infrastructure. There is the possibility that we could incur unexpected capital expenditures to replace, maintain or improve our assets. The risk exists that the SRRP may not allow full recovery of such investments. In addition, it is possible that even once approvals are obtained they may be subsequently challenged, appealed or overturned. This could impact our ability to recover costs already incurred in the planning and development of such projects.

To the extent possible, we aim to mitigate these risks by ensuring prudent expenditures, clearly communicating the need for capital expenditures, and seeking clear policy direction from the regulator. SaskPower is employing a rate strategy that aims to smooth the projected trend for rate increases. Our goal is to provide regular, moderate increases rather than less frequent, larger increases. The strategy also aligns costs with revenues across the various customer classes, and seeks to attain our ROE target of 8.5% over time. In years where large rate increases are warranted, the ROE target may be modified to help keep increases within a moderate range of 3.5%-7.5%. In 2011, SaskPower did not make a rate application, as no increase was required.

3. Business renewal

SaskPower has entered into a significant growth phase. It requires the replacement of aged assets and management of increasing load requirements. As a result, our company is experiencing increased capital, OM&A, and labour budgets. This phase is expected to last through the next 10 years.

SaskPower recognizes that CIC, the Board of Directors, the SRRP, customers, and other external stakeholders expect that we will take significant steps to operate our business efficiently as well as prudently manage or reduce costs. In 2011, our company completed the second year of the Business Renewal Program, which is intended to increase efficiency and effectiveness and improve performance. During the year, SaskPower continued to implement viable savings and benefits opportunities, with a view to a target of $2 billion in cumulative savings and benefits by 2020. Many of these initiatives are based on an asset management system which coordinates activities and practices based on asset performance, risks and expenditures over their life cycles. SaskPower is looking at all expense categories — including finance charges and fuel and purchased power costs — to achieve savings.

In 2011, our company also continued to improve customer service through the SDR Program. Its focus is a reengineering of the processes used to serve customers. This includes a customer's initial contact with our company, connections, complaints and queries, meter reading, and the maintenance of distribution infrastructure. In 2011, two significant achievements for SDR were the introduction of a new Customer Relationship and Billing System and the first full year of the implementation of a new process that significantly reduces the time it takes to connect a customer to our system.

4. Culture

Corporate culture is the set of attitudes, beliefs, values and norms that is shared among organizational members. Culture is created and maintained by leadership actions, as well as business policies, processes and procedures that influence employee and organizational behaviours. As SaskPower embraces the changes needed for the future, its corporate culture will need to change. Care will be needed to ensure the better qualities of our company's culture are preserved and reinforced while new attributes are added.

In 2011, SaskPower's CEO participated in personal, group and on-line discussions to ensure that all employees received timely information about issues, initiatives and successes and had the opportunity to communicate with senior leadership. SaskPower also implemented a new Drug and Alcohol Program after benchmarking best practices in construction, electric utility, and oil and gas sectors. SaskPower is the first Saskatchewan Crown to implement this progressive initiative.

5. Workforce management

Workforce management refers to the activities needed to maintain a productive workforce. Related risks include the following:

- Failure to replace the more than 61% of core SaskPower employees who will be eligible for retirement over the next ten years;
- Competition for talent;
- Shortage of critical skills;
- Reduced productivity due to turnover in positions;
- Inability to complete critical work due to vacant positions;
- Failure to maintain fair compensation with respect to market rate changes; and
- Failure to transfer knowledge from existing employees, leaving insufficient expertise.

We manage these risks by:

- Sourcing candidates with the necessary skills to replace retiring employees;
- Participating in various initiatives, including the Gradworks Intern Development Program, co-operative education programs and summer student programs, with the goal of having skilled employees available for recruitment upon graduation;
- Monitoring industry compensation and aligning salaries with those benchmarks;
- Monitoring and managing target levels of employee turnover; and
- Ensuring new employees have the appropriate training and qualifications to perform their jobs.

In 2011, collective bargaining agreements were negotiated with IBEW Local 2067 and CEP Local 649, which together represent the majority of our employees. As well, SaskPower was rated a top diversity employer in Canada for the third year in a row and named one of Saskatchewan's Top Employers for the fourth consecutive year.

6. Stakeholder engagement

SaskPower stakeholders are individuals or groups who have an impact on our business, or who are affected by our activities, products or services. Our company interacts with a variety of stakeholders within the scope of our operations, including customers, business partners, employees, shareholders, governments, regulatory bodies, and contractors.

In 2011, SaskPower continued to work on strengthening stakeholder relationships through information and consultation processes and opportunity sharing. Our company's Executive Outreach Program delivers timely information to community leaders across Saskatchewan. Championed by the President, the initiative resulted in SaskPower's senior executive visiting more than 20 locations and sharing information regarding future generation plans, capital projects, system improvements, rate design and rationale, programs and services. The outreach program also provides an opportunity for local issues to be addressed.

7. Infrastructure adequacy

Saskatchewan is experiencing a period of economic growth. In the next decade, Saskatchewan electricity sales are expected to increase by approximately 40%, creating greater operational demands on infrastructure. In order to meet demand, SaskPower will require the addition of new generation and transmission assets, as well as the increased use of partnerships. These activities are likely to be capital intensive and will contribute to higher operating and maintenance costs.

A large portion of our company's critical assets are near or at the end of their expected service life. Aging assets are increasingly expensive to maintain and operate and may be less efficient than newer technologies. They may also contribute to system reliability risk. Our company employs risk and insurance management professionals and maintains appropriate insurance policies to mitigate against the impact of losses arising from the operation or failure of our assets.

Generation

Unplanned generation outages that are longer in duration could have large economic consequences and may result in SaskPower's inability to serve Saskatchewan's domestic load.

We manage our generation equipment and technology risk by:

- Operating our generating facilities within operating standards that are designed to maximize their output and asset life;
- Performing routine preventative maintenance on a regular basis;
- Adhering to a comprehensive plant maintenance program and regular turnaround schedules appropriate for the equipment type and age;
- Monitoring technological advances and evaluating their impact upon our existing generating fleet and related maintenance programs;
- Negotiating strategic service agreements with selected vendors to ensure resource availability for major overhauls;
- Entering into long-term arrangements with our strategic supply partners to ensure availability of critical spare parts; and
- Maintaining a Dam Safety Program that complies with the guidelines of the Canadian Dam Association.

Transmission and Distribution

The transmission and distribution circuits that carry electricity from our generators to our customers are not unlimited in their carrying capacity and are subject to age, fatigue and weathering. The transmission and distribution system requires continuous maintenance if it is to provide reliable service. In addition, economic growth in the province means the system also requires upgrades to existing capacity and expansion to address the increase in load. Failure to maintain the system or expand it when needed may result in outages.

In 2011, the Distribution Services department of the Transmission and Distribution business unit was restructured by splitting the maintenance and reliability function from the customer connect area. This reorganization will redirect internal field resources (500 FTEs) to focus primarily on maintenance. In turn, a power line contractor resource strategy is currently being implemented to provide for the necessary labour requirement to address heightened customer connect activity.

During the year, our Transmission and Distribution business unit continued to develop its asset management and field services capabilities to manage these risks and committed significant resources to:

- Customer connects: connection of new electrical services to the SaskPower transmission and distribution system and upgrades to existing customer services.
- Rural rebuild and improvement: upgrades to overhead distribution facilities that are in the greatest need of replacement. As end-of-life overhead distribution infrastructure is replaced, farmyards are provided with underground services. Under this program, all new farmyard and rural residential customers are provided with underground service.
- Pole changes and testing: replacement of all deteriorated facilities on a planned basis versus replacement under emergency conditions. This helps reduce emergency maintenance call outs relating to these types of outages. These replacements are completed on an annual basis, using pole test data to determine which poles are most affected.
- Transmission substation improvements: replacement, capacity increase, or rebuilds at five SaskPower substations.

8. Supply plan

While the economic conditions in our province remain strong, uncertainties persist in global markets. Possessing an exporting economy, Saskatchewan is vulnerable. The unpredictability of the situation adds to the challenges of load forecasting, and creates a risk of the over or under supply of electricity in a given period.

System peak demand is forecast to grow at a rate of 2.9% per year, considerably higher than the growth experienced over the last decade. As our province continues to grow, we must service existing customers and demonstrate to potential new customers, particularly in the industrial sector, that we can support their electricity needs. SaskPower anticipates the need to rebuild, replace or acquire approximately 4,394 megawatts (MW) of power by 2034 to meet growing electricity demand while balancing economic, environmental and social requirements.

At the end of 2011 SaskPower had a total available capacity of 4,094 MW and anticipates the need for the following replacements or additions:

- Short term [2011-2016] — supply requirement of 1,066 MW.
- Medium term [2017-2024] — supply requirement of 1,209 MW.
- Long term [2025-2034] — supply requirement of 2,119 MW.

Short-, medium- and long-term supply plans are in place for generation, transmission and distribution. Our planning process endeavours to take all possibilities into account, including input costs, generation options, smart grid technologies, regulatory changes, load projections, as well as efficiency, conservation and DSM programs.

9. Fuel supply

SaskPower optimizes natural gas and coal fuel supplies when operating our company's power production facilities. Having sufficient fuel available when required for generation is essential to maintaining SaskPower's ability to meet the province's electricity requirements. A disruption in the energy supply could adversely affect SaskPower's financial condition or its ability to meet electricity demand. Our company is exposed to increases in the cost of fuels through volume variances in the planned fuel mix, unplanned operational outages and maintenance, and increases in the respective fuel price.

SaskPower manages fuel supply, market access and commodity price risk by:

- Ensuring contracts are in place for natural gas and coal security of supply at negotiated quantities, terms and prices. Coal supply contracts extend as far as 2024, while natural gas commitments extend to 2016.
- Ensuring efficient handling and storage facilities are in place so that the coal being delivered can be processed in a timely and efficient manner.
- Contracting suitable pipeline market access and storage in Alberta and Saskatchewan to meet SaskPower's gas generation requirements.
- Monitoring and maintaining coal specifications, carefully matching them with the requirements of SaskPower's plants.
- Optimizing the fuel portfolio for the most efficient dispatch and use of assets to lead to improved overall system efficiencies.
- Mitigating the impact of market natural gas prices and focusing on asset optimization, which includes the use of storage and transportation services, physical purchases and financial hedges. In accordance with SaskPower's Board-approved policy, our company hedges forecasted natural gas exposure in the following bands: 40 to 60% for 2012; 35 to 55% for 2013; 30 to 50% for 2014; 25 to 45% for 2015; 20 to 40% for 2016; 15 to 35% for 2017; 10 to 30% for 2018; 5 to 25% for 2019; 0 to 20% for 2020; and 0 to 15% for 2021. As a result, for the upcoming year, for every $1.00/GJ change in natural gas market price, there may be an approximate $0.50/GJ change in natural gas fuel cost to SaskPower. Our company has forecasted its natural gas volume exposure, including PPAs, to be 51 million GJs for 2012.
- Monitoring and expanding market opportunities to evolve natural gas optimization and undertake longer-term gas contracts.

10. Safety

Working on or around high voltage equipment has inherent risk, as does work in confined spaces, around moving machinery, in high temperature and high pressure environments, and at heights or in other potentially dangerous circumstances. SaskPower has extensive policies, standards, procedures and controls in place to minimize the risk of a harmful contact by an employee, contractor, or member of the public. This includes the maintenance of a Safety Management System in compliance with the internationally recognized OHSAS 18001 specification.

SaskPower has a long-established safety educational program to help inform the public of the hazards of power lines. Our company delivers this information through advertising, unpaid media, and at public venues around the province. In 2011, SaskPower participated in flood relief efforts in communities in the southeast part of the province by ensuring residents had the information they needed to maintain electrical safely while dealing with the conditions. Some other significant safety achievements in 2011 include:

- Assignment of dedicated resources to support contract administrators and contractors with the implementation of the SaskPower Contractor Management System;
- Implementation of a corporate Drug and Alcohol Program. All employees are receiving training;
- Development and delivery of a Safety for Supervisors Training Program; and
- Adoption of the Incident Command System (ICS) as the tool for managing critical events and emergencies. SaskPower has developed a customized training package and has started an ongoing process of delivering the required training to all employees who may be required to play a role in a critical event response.

11. Security (cyber and physical)

SaskPower utilizes critical information systems on a stand alone and networked basis in the conduct of its business. These systems are susceptible to failure and to damage or conversion from their intended use through unlawful acts. Our company may be subject to malicious or criminal acts, including sabotage and terrorism, resulting in the theft of or damage to assets.

SaskPower maintains industry standard policies, processes and technical safeguards to ensure only authorized access and use of its information systems. Our company utilizes a risk management approach to ensure threats to its information systems are efficiently and effectively addressed. An information security program is in place and it utilizes, amongst other key controls, policies and procedures to ensure identified critical systems can be recovered or reinstated in the event of an adverse event and system failure. SaskPower maintains hiring, training, operating, security, maintenance and capital programs designed to provide for the safe and reliable operation of its information systems.

Our company has various policies and procedures pertaining to the protection of corporate assets and employs cyber and physical security professionals who have responsibility for security, threat and risk assessment, and investigations. In addition, SaskPower uses electronic surveillance and detection methods. Our company maintains reasonable levels of insurance to protect it against theft- or vandalism-related losses.

In 2011, SaskPower completed the consolidation of all physical and cyber security activities, responsibilities and resources under one reporting structure within our Corporate Information and Technology corporate group. Benefits of this consolidation have already been realized in improved information sharing and coordination.

12. Information management

SaskPower's daily operation relies on data and information to conduct business. This data and information needs to be treated as an asset in a consistent, optimal and responsible manner to support corporate processes and decision making. With the wave of retiring employees, it is critical that knowledge and corporate memory is retained.

In recent years, the rate of growth for information is nearing 40% per year. With this expansion comes the increased need for effective management, including in the areas of classification, security, and governance. In 2011, initiatives were established to improve these practices through the Enterprise Information Management (EIM) Program. EIM enhances our ability to capture, organize, manage, preserve, share and deliver the right information to the right people at the right time.

13. Emergency preparedness

Our facilities are exposed to the effects of severe weather events, natural disasters, and man-made events (including cyber and physical attacks). Low frequency, high impact catastrophic events are also a threat. Although constructed, operated and maintained to industry standards, our facilities may not withstand occurrences of these types in all circumstances. Lost revenues and repair costs could be substantial, especially for many of our facilities that are located in remote areas. This risk is partly mitigated because our transmission system is designed and operated to withstand the loss of any single major element. In most cases, it possesses inherent redundancy that provides alternate means to deliver power to our customers.

SaskPower has business continuity and emergency plans to deal with a variety of adverse events. The following are some of the more significant undertakings in 2011:

- SaskPower engaged the services of an external consultant to benchmark the Business Continuity Management (BCM) Program against the best established standards for business continuity and disaster recovery management. The consultant's report will be used to guide further development of our BCM Program in 2012.
- Our Transmission and Distribution business unit used the ICS as its incident management framework when responding to the spring floods and severe thunderstorms. Early results indicate that ICS improved management of responder resources and better communications through the recovery efforts. Delivery of ICS training will continue in 2012 with the Transmission and Distribution and Power Production business units.
- SaskPower continued to participate with Crowns, provincial government ministries and the private sector as part of the Provincial Emergency Management Committee in the updating of the Saskatchewan Provincial Emergency Plan.

14. Large projects

SaskPower has identified the need to invest significant amounts of capital in long-term projects to maintain, upgrade and expand infrastructure. There is risk that large projects may not be completed at all, may be completed on materially different terms, or may be completed on a different timing than initially anticipated. As well, the intended benefits of the project may not be realized.

The timing, costs and outcome of planned construction/expansion projects may be influenced by: weather conditions, delays in obtaining regulatory approvals, delays in obtaining key materials, labour difficulties, skills shortages or other events beyond SaskPower's control. Public acceptance of new infrastructure projects is an integral part of achieving regulatory approvals.

As we are currently working on several large infrastructure projects, we face risks associated with cost overruns, delays, and performance. We attempt to minimize these project risks by:

- Consulting regularly with potentially affected stakeholders to increase understanding and foster public acceptance for projects;
- Ensuring all projects are vetted by our risk and insurance group so that risks have been properly identified and quantified, input assumptions are reasonable, and returns are realistically forecast prior to executive and Board approvals;
- Developing and following through with comprehensive plans that include critical paths identified, key delivery points, and backup plans;
- Ensuring project closeouts, so that any lessons learned from the project are incorporated into the next significant project; and
- Fixing the price and availability of the equipment, warranties, and source agreements as much as economically feasible prior to proceeding with the project.

15. Change management

Change management is a structured approach to moving individuals, teams and organizations from a current state to a desired future state. For an organization to realize the benefits of change, one of the requirements is that people accept or buy into the change. SaskPower has embarked on several key initiatives that will result in transformational change in how it does business. For these transformations to be successful, our present and future workers will need to support these changes and be flexible in their assignments, reporting lines and responsibilities. SaskPower uses the Prosci change management methodology.

Consolidated financial statements and notes

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Report of Management

The consolidated financial statements of Saskatchewan Power Corporation (SaskPower; the Corporation) are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to March 20, 2012. The financial information presented in the Management's Discussion and Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate, and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board of Directors.

The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside Directors. At regular meetings, the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the Independent Auditor's Report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

The consolidated financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditor's responsibility is to express its opinion on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards.

On behalf of management,

Robert Watson
President and Chief Executive Officer
March 20, 2012

Sandeep Kalra

Sandeep Kalra
Vice-president and Chief Financial Officer

Management's Report on Internal Control over Financial Reporting

I, Robert Watson, President and Chief Executive Officer of Saskatchewan Power Corporation, and I, Sandeep Kalra, Vice-president and Chief Financial Officer of Saskatchewan Power Corporation, certify the following:

(a) That we have reviewed the consolidated financial statements included in the Annual Report of Saskatchewan Power Corporation. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2011.

(b) That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report of Saskatchewan Power Corporation do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

(c) That Saskatchewan Power Corporation is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Saskatchewan Power Corporation has designed internal controls over financial reporting that are appropriate to the circumstances of Saskatchewan Power Corporation.

(d) That Saskatchewan Power Corporation conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Saskatchewan Power Corporation can provide reasonable assurance that internal controls over financial reporting as of December 31, 2011, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management,

Sandeep Kalra

Robert Watson
President and Chief Executive Officer
March 20, 2012

Sandeep Kalra
Vice-president and Chief Financial Officer

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying consolidated financial statements of Saskatchewan Power Corporation, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saskatchewan Power Corporation as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Chartered Accountants
March 20, 2012
Regina, Saskatchewan

Consolidated statement of income

(in millions)

For the year ended December 31	2011	2010
Revenue		
Saskatchewan electricity sales	**$ 1,667**	$ 1,575
Exports	**40**	12
Net sales from electricity trading *(Note 4)*	**14**	4
Share of profit from equity accounted investees *(Note 17)*	**11**	10
Other revenue *(Note 5)*	**105**	90
	1,837	1,691
Expense		
Fuel and purchased power *(Note 6)*	**485**	446
Operating, maintenance and administration *(Note 7)*	**575**	513
Depreciation and amortization *(Note 8)*	**290**	266
Finance charges *(Note 9)*	**197**	192
Taxes *(Note 10)*	**43**	42
Other losses (gains) *(Note 11)*	**8**	9
	1,598	1,468
Income before the following	**239**	223
Unrealized market value adjustments *(Note 12)*	**9**	(19)
Net income	**$ 248**	$ 204

See accompanying notes

Consolidated statement of comprehensive income

(in millions)

For the year ended December 31	2011	2010
Net income	**$ 248**	$ 204
Other comprehensive income (loss)		
Share of other comprehensive income from equity accounted investees *(Note 17)*	**1**	–
Defined benefit pension plans actuarial gains (losses) *(Note 30)*	**(143)**	(3)
	(142)	(3)
Total comprehensive income	**$ 106**	$ 201

See accompanying notes

Consolidated statement of financial position

(in millions)

As at	**December 31 2011**	December 31 2010	January 1 2010
Assets			
Current assets			
Accounts receivable and unbilled revenue	**$ 236**	$ 227	$ 219
Inventory *(Note 13)*	**154**	144	147
Prepaid expenses	**6**	5	4
Risk management assets *(Note 24)*	**6**	1	–
	402	377	370
Property, plant and equipment *(Note 14)*	**5,387**	4,923	4,653
Intangible assets *(Note 15)*	**52**	24	25
Debt retirement funds *(Note 16)*	**353**	291	246
Investments accounted for using equity method *(Note 17)*	**77**	71	68
Other assets *(Note 18)*	**11**	13	14
Total assets	**$ 6,282**	$ 5,699	$ 5,376
Liabilities and equity			
Current liabilities			
Bank indebtedness	**$ 6**	$ 7	$ 5
Accounts payable and accrued liabilities	**338**	233	226
Accrued interest	**49**	49	48
Risk management liabilities *(Note 24)*	**52**	51	28
Short-term advances *(Note 19)*	**251**	159	272
Current portion of finance lease obligations *(Note 21)*	**3**	3	1
	699	502	580
Long-term debt *(Note 20)*	**2,707**	2,708	2,493
Finance lease obligations *(Note 21)*	**552**	409	412
Employee benefits *(Note 30)*	**315**	203	223
Provisions *(Note 22)*	**145**	119	111
Total liabilities	**4,418**	3,941	3,819
Equity			
Retained earnings	**1,204**	1,099	898
Accumulated other comprehensive loss	**–**	(1)	(1)
Equity advances *(Note 23)*	**660**	660	660
Total equity	**1,864**	1,758	1,557
Total liabilities and equity	**$ 6,282**	$ 5,699	$ 5,376

See accompanying notes

On behalf of the Board,

Joel Teal
Chair

Mick MacBean
Director

Consolidated statement of changes in equity

(in millions)	Retained earnings	Accumulated other comprehensive loss: Equity accounted investees – cash flow hedges	Accumulated other comprehensive loss: Defined benefit pension plans actuarial gains (losses)	Equity advances	Total
Equity					
Balance, January 1, 2010	$ 898	$ (1)	$ –	$ 660	**$ 1,557**
Net income	204	–	–	–	**204**
Other comprehensive income (loss)	–	–	(3)	–	**(3)**
Transfers to retained earnings	(3)	–	3	–	**–**
Dividends	–	–	–	–	**–**
Balance, December 31, 2010	**$ 1,099**	**$ (1)**	**$ –**	**$ 660**	**$ 1,758**
Net income	248	–	–	–	**248**
Other comprehensive income (loss)	–	1	(143)	–	**(142)**
Transfers to retained earnings	(143)	–	143	–	**–**
Dividends	–	–	–	–	**–**
Balance, December 31, 2011	**$ 1,204**	**$ –**	**$ –**	**$ 660**	**$ 1,864**

See accompanying notes

Consolidated statement of cash flows

(in millions)

For the year ended December 31	2011	2010
Operating activities		
Net income	**$ 248**	$ 204
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization *(Note 8)*	**290**	266
Finance charges *(Note 9)*	**197**	192
Other losses (gains) *(Note 11)*	**8**	9
Unrealized market value adjustments *(Note 12)*	**(9)**	19
Defined benefit pension plan contribution *(Note 30)*	**(27)**	(27)
Defined benefit pension plan (income) expense *(Note 30)*	**(1)**	7
Other benefit plans *(Note 30)*	**(3)**	(3)
Share of profit from equity accounted investees *(Note 17)*	**(11)**	(10)
Environmental remediation expenditures *(Note 22)*	**–**	(3)
Allowance for obsolescence *(Note 13)*	**–**	(4)
	692	650
Net change in non-cash working capital *(Note 28)*	**81**	6
Interest paid	**(230)**	(219)
Cash provided by operating activities	**543**	437
Investing activities		
Property, plant and equipment additions	**(575)**	(517)
Intangible assets additions	**(38)**	(6)
Net proceeds from disposal of assets	**2**	–
Distributions from equity accounted investees *(Note 17)*	**6**	7
Cash used in investing activities	**(605)**	(516)
Decrease in cash before financing activities	**(62)**	(79)
Financing activities		
Net proceeds from (repayment of) short-term advances	**92**	(113)
Proceeds from long-term debt	**–**	216
Debt retirement fund instalments *(Note 16)*	**(27)**	(25)
Principal repayment of finance lease obligations	**(2)**	(1)
Cash provided by financing activities	**63**	77
Increase (decrease) in cash	**1**	(2)
Bank indebtedness, beginning of year	**(7)**	(5)
Bank indebtedness, end of year	**$ (6)**	$ (7)

See accompanying notes

Notes to the consolidated financial statements

As at December 31, 2011

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's head office is located at 2025 Victoria Avenue in Regina, Saskatchewan, Canada, S4P 0S1.

By virtue of *The Crown Corporations Act, 1993*, SaskPower has been designated a subsidiary of Crown Investments Corporation (CIC) of Saskatchewan, a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal and provincial income taxes.

2. Basis of preparation

(a) Statement of compliance

The Corporation's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). As these consolidated financial statements represent the Corporation's initial presentation of its financial position, income and cash flows under IFRS, they were prepared in accordance with IFRS 1, *First-time Adoption of IFRS*. An explanation of how the transition to IFRS has affected the reported financial position, income and cash flows of SaskPower is provided in *Notes 31* and *32*.

The consolidated financial statements were authorized for issue by the Board of Directors on March 20, 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- Financial instruments that are accounted for according to the financial instrument categories defined in *Note 3(n)*.
- Provisions defined in *Note 3(h)*.
- Employee benefit plans accrued benefit obligations defined in *Note 3(o)*.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest million.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates are further described in the following summary of significant accounting policies and related notes:

- Electricity deliveries not yet billed at period-end and allowance for doubtful accounts *[Note 3(i)]*.
- Allowance for inventory obsolescence *[Notes: 3(c) and 13]*.
- Underlying estimates of useful lives and related depreciation and accumulated depreciation *[Notes: 3(d), 3(e), 8 and 14]*.
- Carrying amounts of provisions and underlying estimates of future cash flows *[Notes: 3(h) and 22]*.
- Fair value of financial instruments *[Notes: 3(n) and 24]*.
- Carrying amounts of employee benefits and underlying actuarial assumptions *[Notes: 3(o) and 30]*.

Areas of judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include:

- Identification of arrangements which contain a lease *[Notes: 3(m) and 21]*.
- Revenue recognition of customer contributions *[Notes: 3(i) and 5]*.

(e) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. In particular, this includes the following new and amended standards which become effective for annual periods beginning on or after January 1, 2013:

- IFRS 9, *Financial Instruments*
- IFRS 10, *Consolidated Financial Statements*
- IFRS 11, *Joint Arrangements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurement*
- IAS 19, *Employee Benefits*
- IAS 27, *Separate Financial Statements*
- IAS 28, *Investments in Associates and Joint Ventures*

The Corporation does not have any plans to early adopt any of the new or amended standards. The extent of the impact on adoption of these standards is not known at this time.

3. Significant accounting policies

(a) Basis of consolidation

i) Subsidiaries

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries with all significant inter-company transactions and balances being eliminated.

Separate audited financial statements are prepared annually for its operating wholly-owned subsidiaries: NorthPoint Energy Solutions Inc. (NorthPoint) and Power Greenhouses Inc. (SaskPower Shand Greenhouse). SaskPower International Inc. (wholly-owned subsidiary) has no active operations beyond its joint venture interests in Cory Cogeneration Station and Cory Cogeneration Funding Corporation and its investment in MRM Cogeneration Station, over which it exerts significant influence.

ii) Associates and jointly controlled entities

Associates are those entities in which the Corporation has significant influence, but not control, over strategic financial and operating decisions. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Corporation has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted for investees) and are recognized initially at cost. The consolidated financial statements include the Corporation's share of the total comprehensive income and equity movements of equity accounted for investees, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases *(Note 17)*.

(b) Cash and cash equivalents (bank indebtedness)

Cash and cash equivalents includes cash, bank indebtedness and short-term investments that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value.

(c) Inventory

Maintenance materials, supplies, natural gas, coal and other fuel inventory are recorded at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Replacement cost is used as management's best estimate of the net realizable value for maintenance materials, supplies, coal and other fuel inventory. Net realizable value for natural gas inventory is determined using the near month AECO C natural gas market prices as appropriate. Inventories are written down to net realizable value on an item by item basis.

In establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory on hand will become obsolete due to changes in technology. Maintenance materials and supplies are charged to inventory when purchased and expensed or capitalized when used. Natural gas, coal and other fuel inventory are charged to inventory when purchased and expensed as consumed or sold *(Note 13)*.

(d) Property, plant and equipment

Property, plant and equipment is recorded at cost or deemed cost less accumulated depreciation and accumulated provisions for impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, services and direct labour. Borrowing costs associated with major capital and development projects that are six months or longer in duration are capitalized during the construction period at the weighted average cost of long-term borrowings. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the useful life of the asset is increased; physical output, service capacity or quality is improved above original design standards; or operating costs are reduced by a substantial and quantifiable amount that can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are expensed as incurred *(Note 14)*.

When property, plant and equipment are disposed of or retired, the related costs less accumulated depreciation are de-recognized. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds less costs of removal and the carrying amount of the asset. The gain or loss on asset disposals and retirements is recognized in profit or loss as other losses (gains) *(Note 11)*.

Assets held under finance leases are initially recognized at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation *(Note 21)*.

(e) Depreciation

Depreciation is recognized on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation commences when the property, plant and equipment is ready for its intended use. The estimated useful life of property, plant and equipment is based on manufacturer's guidance, past experience and future expectations regarding the potential for technical obsolescence. Their estimated useful lives are reviewed annually and any changes are applied prospectively.

Following the completion of an external depreciation study, the estimated useful lives of certain asset components were changed. The change in estimate was applied prospectively, effective January 1, 2011. The impact of the change in estimated useful lives was an increase in depreciation expense of approximately $8 million in 2011.

The estimated useful lives of the major classes of property, plant and equipment are:

Asset class	Estimated useful lives (years)
Generation	5 – 100
Transmission	3 – 55
Distribution	3 – 40
Other	4 – 60

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as for owned assets, or where shorter, the lease term *(Note 8)*.

(f) Intangible assets

The Corporation's only identifiable intangible asset is software. Software is recorded at cost less accumulated amortization and accumulated provisions for impairment. Software costs include the cost of externally purchased software packages and for internally developed programs, related external and direct labour costs. Maintenance of existing software programs is expensed as incurred *(Note 15)*.

Amortization is calculated on a straight-line basis over five years — the estimated useful life of the Corporation's software programs. Estimated useful lives of intangible assets are reviewed annually and any changes are applied prospectively *(Note 8)*.

(g) Impairment of assets

At each reporting date, the Corporation evaluates its property, plant and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors, which could indicate an impairment exist, include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset or cash generating unit (CGU) exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of the future cash flows to be derived from a CGU. At the reporting date, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write-down was required.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in profit or loss as finance expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

i) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract *(Note 22)*.

ii) Decommissioning provisions

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes decommissioning provisions in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes provisions to decommission coal, natural gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes provisions for the decommissioning of assets containing polychlorinated biphenyls (PCBs) in excess of existing federal regulations.

The fair value of the estimated decommissioning costs is recorded as a provision with an offsetting amount capitalized and included as part of property, plant and equipment. The decommissioning provisions are increased periodically for the passage of time by calculating interest expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning and estimates of future inflation. Decommissioning provisions are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the obligation and the related asset *(Note 22)*.

iii) Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis *(Note 22)*.

(i) Revenue recognition

Revenue represents amounts receivable for goods and services provided in the normal course of business. Revenue is recognized when it is probable that future economic benefits will flow to the Corporation and these benefits can be measured reliably.

i) Electricity

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel with final approval by provincial cabinet. Saskatchewan electricity sales and exports are recognized upon delivery to the customer and include an estimate of electrical deliveries not yet billed at period-end. The estimated unbilled revenue is based on several factors, including estimated consumption by customer, applicable customer rates and the number of days between the last billing date and the end of the period.

Electricity trading revenues are reported on a net basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at fair value *(Notes: 4 and 24)*.

ii) Customer contributions

Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are recognized immediately in profit or loss as other revenue when the related property, plant and equipment is available for use *(Note 5)*.

iii) Other

Wind power incentives received from the Government of Canada for electricity generated from the Centennial and Cypress Wind Power Facilities are recognized as other revenue upon delivery of the electricity into the SaskPower grid. Other revenue also includes gas and electrical inspections and fly ash sales which are recorded upon delivery of the related good or service *(Note 5)*.

(j) Government grants

Government grants are recognized initially as deferred revenue when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in profit or loss as an offset against operating, maintenance and administration (OM&A) in the same period in which the expenses are recognized *(Note 7)*. Grants that compensate the Corporation for the cost of an asset are netted against the capitalized asset costs and recognized in profit or loss over the useful life of the asset.

(k) Finance charges

Finance expense is comprised of interest expense on short-term and long-term borrowings, unwinding the discount on provisions, and finance costs related to leased assets. Interest expense is recognized in profit or loss, using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognized as a finance expense as the costs accrue *(Note 9)*.

Finance income is comprised of earnings on debt retirement funds. Finance income is recognized in profit or loss as earned *(Note 9)*.

(l) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars using the rate of exchange in effect at the reporting date. Revenues and expenses are translated at the rate prevailing at the transaction date.

(m) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. The Corporation has assessed its arrangements to determine whether they contain a lease. Certain take-or-pay power purchase agreements (PPAs), which in management's judgment give SaskPower the exclusive right to use specific production assets, meet the definition of a lease. These arrangements have been classified as finance leases.

Assets held under finance leases are initially recognized at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation. Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the finance balance outstanding. The interest component is included in finance expense.

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as for owned assets, or where shorter, the lease term.

All other transactions in which SaskPower is the lessee are classified as operating leases. Payments made under operating leases are expensed over the term of the lease *(Notes: 14 and 21)*.

(n) Financial instruments

i) Classification and measurement

SaskPower classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss; held-to-maturity; loans and receivables; and other liabilities *(Note 24)*. All financial instruments are measured at fair value on initial recognition and recorded on the consolidated statement of financial position. Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as fair value through profit or loss, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of income in unrealized market value adjustments. Financial instruments classified as held-to-maturity; loans and receivables; and other liabilities are subsequently measured at amortized cost using the effective interest method, less any impairment.

Derivative financial instruments, including natural gas and electricity contracts, are recognized as a financial asset or a financial liability on the trade date. The Corporation has chosen not to designate its derivative instruments as hedges. As such, all derivative financial instruments are classified as fair value through profit or loss and recorded at fair value on the consolidated statement of financial position as risk management assets and liabilities with subsequent changes in fair value recognized in the consolidated statement of income in unrealized market value adjustments.

Certain commodity contracts for the physical purchase of natural gas qualify as own-use contracts. SaskPower entered into these contracts for the purpose of physical receipt of the natural gas in accordance with its own expected usage requirements for the generation of electricity. As such, these non-financial derivative contracts are not recorded at fair value on the consolidated statement of financial position; rather, the contracts are accounted for as a purchase at the time of delivery.

ii) Embedded derivatives

As at December 31, 2011, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be valued separately.

iii) Fair value

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. SaskPower's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The Corporation has classified the fair value of its financial instruments as level 1, 2, or 3 *(Note 24)* as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access. The fair values for cash and cash equivalents, bank indebtedness, and short-term advances were based on carrying value as an approximation of market value due to the short time frame to maturity.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The debt retirement funds are valued by the Government of Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Natural gas fixed price swap contract values are calculated using internal discounted cash flow models that rely on forward AECO C natural gas pricing provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves. Natural gas options (two way collars) are valued using over-the-counter or end-market pricing received from the reference dealer.

Electricity contract fair values are determined using independent pricing information from external market providers.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. The finance lease obligations are valued using internal cash flow models based on contracted pricing in the Corporation's PPAs. The contracted cash flows are discounted using the Government of Saskatchewan bond yields adjusted for a negotiated risk premium.

(o) Employee benefits

The Corporation has a defined contribution pension plan, defined benefit pension plans, and other benefit plans that provide retirement benefits for its employees.

i) Defined contribution pension plan

A defined contribution pension plan is a post-employment benefit under which SaskPower pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized in OM&A expense in the period during which services are rendered by employees *(Note 30)*.

ii) Defined benefit pension plans

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution pension plan. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for service in the current and prior periods. The obligation is discounted to determine its present value. Any unrecognized past service costs are added to the obligation, while the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income in the period in which they arise *(Note 30)*.

iii) Other benefit plans

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. SaskPower's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

The Corporation also provides lifetime superannuation allowances and bridge allowances to employees who chose to retire under various early retirement options. The cost of these benefits is actuarially determined by calculating the present value of all future benefit entitlements *(Note 30)*.

4. Net sales from electricity trading

(in millions)	2011	2010
Electricity trading revenue	**$ 55**	$ 42
Electricity trading costs	**(41)**	(38)
	$ 14	$ 4

5. Other revenue

(in millions)	2011	2010
Customer contributions	**$ 55**	$ 43
Fly ash sales	**8**	7
Gas and electrical inspections	**14**	13
Wind power production incentives	**6**	5
Miscellaneous revenue	**22**	22
	$ 105	$ 90

6. Fuel and purchased power

(in millions)	2011	2010
Coal	**$ 219**	$ 212
Gas	**196**	184
Imports	**24**	20
Hydro	**20**	16
Wind	**9**	2
Other	**17**	12
	$ 485	$ 446

Gas costs include the fuel charges associated with the electricity generated from SaskPower-owned gas-fired facilities and the cost of fuel related to PPAs with the Cory Cogeneration Station, Meridian Cogeneration Station and Spy Hill Generating Station. Imports represent electricity purchased from suppliers that produce power outside Saskatchewan. Wind includes the cost of electricity obtained through SaskPower's PPAs with the SunBridge and Red Lily Wind Power Facilities. Other includes the cost of electricity obtained through PPAs with NRGreen heat recovery facilities and the cost of demand response programs.

7. Operating, maintenance and administration (OM&A)

(in millions)	2011	2010
Salaries and benefits	**$ 260**	$ 247
Employee benefits *(Note 30)*	**21**	27
External services	**213**	252
ICCS grant funding	**(30)**	(110)
Materials and supplies	**36**	32
Other	**75**	65
	$ 575	$ 513

8. Depreciation and amortization

(in millions)	2011	2010
Depreciation expense *(Note 14)*	$ 280	$ 259
Amortization of intangible assets *(Note 15)*	10	7
	$ 290	$ 266

9. Finance charges

(in millions)	2011	2010
Finance expense		
Interest on long-term debt	$ 174	$ 167
Interest on finance leases	54	51
Interest on short-term advances	1	1
Unwinding of discount on provisions *(Note 22)*	5	5
Interest capitalized	(12)	(15)
Amortization of debt premium net of discounts *(Note 20)*	(1)	(1)
Other interest and charges	–	1
	221	209
Finance income		
Debt retirement fund earnings *(Note 16)*	(24)	(17)
	(24)	(17)
	$ 197	$ 192

10. Taxes

(in millions)	2011	2010
Grants-in-lieu of taxes to 13 cities	$ 20	$ 19
Saskatchewan corporate capital tax	23	23
	$ 43	$ 42

11. Other losses (gains)

(in millions)	2011	2010
Losses (gains) on asset disposals and retirements	$ 5	$ 8
Environmental provisions	3	1
	$ 8	$ 9

12. Unrealized market value adjustments

(in millions)	2011	2010
Natural gas contracts *(Note 24)*	$ (2)	$ (19)
Natural gas inventory revaluation *(Note 13)*	(6)	–
Electricity contracts *(Note 24)*	6	(3)
Debt retirement funds *(Note 16)*	11	3
Unrealized market value gains (losses)	$ 9	$ (19)

13. Inventory

(in millions)	December 31 2011	December 31 2010	January 1 2010
Maintenance materials and supplies	**$ 136**	$ 123	$ 131
Allowance for obsolescence	**(8)**	(8)	(12)
	128	115	119
Natural gas	**19**	18	17
Coal	**11**	10	10
Other fuel	**2**	1	1
	160	144	147
Unrealized natural gas market revaluation	**(6)**	–	–
	$ 154	$ 144	$ 147

During the year, $267 million (2010 – $262 million) of natural gas, coal and other fuel inventory and $138 million (2010 – $144 million) of maintenance materials and supplies were consumed. There was a provision made to write-down inventory by $1 million (2010 – $1 million) offset by $1 million (2010 – $5 million) in obsolete inventory that was written-off against the provision during 2011.

14. Property, plant and equipment

(in millions)	Generation	Leased assets	Transmission	Distribution	Other	Construction in progress	Total
Cost or deemed cost							
Balance, January 1, 2010	$ 3,837	$ 388	$ 832	$ 2,373	$ 467	$ 282	**$ 8,179**
Additions	309	–	85	139	35	565	**1,133**
Disposals and/or retirements	(13)	–	(1)	(21)	(20)	–	**(55)**
Transfers	–	–	–	–	–	(596)	**(596)**
Balance, December 31, 2010	**$ 4,133**	**$ 388**	**$ 916**	**$ 2,491**	**$ 482**	**$ 251**	**$ 8,661**
Additions	131	145	50	182	46	625	**1,179**
Disposals and/or retirements	(11)	–	–	(13)	(11)	–	**(35)**
Transfers	–	–	–	–	–	(428)	**(428)**
Balance, December 31, 2011	**$ 4,253**	**$ 533**	**$ 966**	**$ 2,660**	**$ 517**	**$ 448**	**$ 9,377**
Accumulated depreciation							
Balance, January 1, 2010	$ 1,858	$ 128	$ 369	$ 994	$ 177	$ –	**$ 3,526**
Depreciation expense	120	15	21	73	30	–	**259**
Disposals and/or retirements	(12)	–	(1)	(16)	(18)	–	**(47)**
Balance, December 31, 2010	**$ 1,966**	**$ 143**	**$ 389**	**$ 1,051**	**$ 189**	**$ –**	**$ 3,738**
Depreciation expense	130	17	23	80	30	–	**280**
Disposals and/or retirements	(9)	–	–	(11)	(8)	–	**(28)**
Balance, December 31, 2011	**$ 2,087**	**$ 160**	**$ 412**	**$ 1,120**	**$ 211**	**$ –**	**$ 3,990**
Net book value							
Balance, January 1, 2010	**$ 1,979**	**$ 260**	**$ 463**	**$ 1,379**	**$ 290**	**$ 282**	**$ 4,653**
Balance, December 31, 2010	**$ 2,167**	**$ 245**	**$ 527**	**$ 1,440**	**$ 293**	**$ 251**	**$ 4,923**
Balance, December 31, 2011	**$ 2,166**	**$ 373**	**$ 554**	**$ 1,540**	**$ 306**	**$ 448**	**$ 5,387**

During the year, $12 million (2010 – $15 million) of interest costs were capitalized at the weighted average cost of borrowings rate of 6.00% (2010 – 6.37%).

15. Intangible assets

(in millions)		Software
Cost		
Balance, January 1, 2010	$	129
Additions		6
Disposals and/or retirements		–
Balance, December 31, 2010	**$**	**135**
Additions		38
Disposals and/or retirements		(5)
Balance, December 31, 2011	**$**	**168**
Accumulated amortization		
Balance, January 1, 2010	$	104
Amortization expense		7
Disposals and/or retirements		–
Balance, December 31, 2010	**$**	**111**
Amortization expense		10
Disposals and/or retirements		(5)
Balance, December 31, 2011	**$**	**116**
Net book value		
Balance, January 1, 2010	**$**	**25**
Balance, December 31, 2010	**$**	**24**
Balance, December 31, 2011	**$**	**52**

16. Debt retirement funds

A reconciliation between the opening and closing debt retirement funds balance is provided below:

(in millions)		
Debt retirement funds		
Balance, January 1, 2010	$	246
Debt retirement fund instalments		25
Debt retirement fund earnings		17
Debt retirement fund market value gains (losses)		3
Balance, December 31, 2010	**$**	**291**
Debt retirement fund instalments		27
Debt retirement fund earnings		24
Debt retirement fund market value gains (losses)		11
Balance, December 31, 2011	**$**	**353**

Under conditions attached to certain advances from the Government of Saskatchewan's General Revenue Fund, the Corporation is required to pay annually into debt retirement funds administered by the Government of Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding. As at December 31, 2011, scheduled debt retirement fund instalments for the next five years are as follows:

(in millions)	2012	2013	2014	2015	2016
Debt retirement fund instalments	$ 27	$ 26	$ 26	$ 26	$ 26

17. Investments accounted for using equity method

MRM Cogeneration Station (MRM)

The Corporation has a 30% ownership interest in the MRM Cogeneration Station. The 172-megawatt (MW) natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

Cory Cogeneration Station and Cory Cogeneration Funding Corporation (Cory)

The Corporation holds a 50% interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228-MW natural gas-fired cogeneration plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan. The electricity generated by the facility is sold to SaskPower under the terms of a 25-year PPA. During the year, the cost of fuel, OM&A expense, capacity and interest payments made to the Cory Cogeneration Station totaled $41 million (2010 – $39 million).

The Corporation holds a 50% interest in Cory Cogeneration Funding Corporation (CCFC). CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term, non-recourse debt to finance the Cory Cogeneration Station. CCFC acts as agents for the Owners by receiving revenues, disbursing costs (including debt service) and distributing proceeds to the Owners.

A reconciliation between the opening and closing investments balance is provided below:

(in millions)	MRM	Cory	Total
Investments accounted for using equity method			
Balance, January 1, 2010	$ 30	$ 38	**$ 68**
Profit (loss)	6	4	**10**
Other comprehensive income (loss)	–	–	**–**
Distributions	(5)	(2)	**(7)**
Balance, December 31, 2010	**$ 31**	**$ 40**	**$ 71**
Profit (loss)	6	5	**11**
Other comprehensive income (loss)	1	–	**1**
Distributions	(2)	(4)	**(6)**
Balance, December 31, 2011	**$ 36**	**$ 41**	**$ 77**

The Corporation's interest in the MRM and Cory investments is summarized below:

	As at December 31, 2010		
(in millions)	MRM	Cory	Total
Statement of financial position			
Current assets	$ 6	$ 5	**$ 11**
Non-current assets	59	119	**178**
Current liabilities	(9)	(6)	**(15)**
Non-current liabilities	(25)	(78)	**(103)**
Investments accounted for using equity method	**$ 31**	**$ 40**	**$ 71**

	As at December 31, 2011		
(in millions)	MRM	Cory	Total
Statement of financial position			
Current assets	$ 7	$ 5	**$ 12**
Non-current assets	58	118	**176**
Current liabilities	(8)	(5)	**(13)**
Non-current liabilities	(21)	(77)	**(98)**
Investments accounted for using equity method	**$ 36**	**$ 41**	**$ 77**

(in millions)	For the year ended December 31, 2010 MRM	Cory	Total
Statement of income			
Revenue	$ 19	$ 20	**$ 39**
Expense	(13)	(16)	**(29)**
Profit (loss)	**$ 6**	**$ 4**	**$ 10**

(in millions)	For the year ended December 31, 2011 MRM	Cory	Total
Statement of income			
Revenue	$ 18	$ 19	**$ 37**
Expense	(12)	(14)	**(26)**
Profit (loss)	**$ 6**	**$ 5**	**$ 11**

The Corporation has provided a promissory note as acceptable credit support up to $5 million for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station *(Note 27)*.

18. Other assets

(in millions)	**December 31 2011**	December 31 2010	January 1 2010
Prepaid expenses	**$ 7**	$ 9	$ 12
Investment	**1**	1	1
Other long-term receivables	**3**	3	1
	$ 11	$ 13	$ 14

Prepaid expenses

This includes prepaid amounts made in accordance with long-term coal supply agreements. The prepaid amount is amortized on a straight-line basis over the period of benefit.

Investment

This represents an investment in the Master Asset Vehicle II (MAVII) instrument. The investment is recorded at its estimated fair value at December 31, 2011 *(Note 24)*.

Other long-term receivables

This includes reimbursable costs relating to a building which was subleased by the Corporation *(Note 22)*.

19. Short-term advances

(in millions)	December 31 2011	December 31 2010	January 1 2010
Short-term advances	**$ 251**	$ 159	$ 272

As at December 31, 2011, the short-term advances due to the Government of Saskatchewan's General Revenue Fund are as follows (in millions):

Date of issue	Date of maturity	Interest rate (%)	Currency	Outstanding amount
November 25, 2011	January 6, 2012	0.93	Canadian dollar	$ 12
November 25, 2011	January 4, 2012	0.93	Canadian dollar	11
November 30, 2011	January 4, 2012	0.93	Canadian dollar	12
November 30, 2011	January 4, 2012	0.93	Canadian dollar	12
November 30, 2011	January 5, 2012	0.93	Canadian dollar	12
December 1, 2011	January 4, 2012	0.93	Canadian dollar	6
December 1, 2011	January 6, 2012	0.93	Canadian dollar	6
December 2, 2011	January 9, 2012	0.92	Canadian dollar	20
December 8, 2011	January 6, 2012	0.91	Canadian dollar	10
December 14, 2011	January 17, 2012	0.91	Canadian dollar	10
December 21, 2011	January 17, 2012	0.92	Canadian dollar	18
December 21, 2011	January 20, 2012	0.92	Canadian dollar	17
December 23, 2011	January 25, 2012	0.92	Canadian dollar	30
December 29, 2011	January 25, 2012	0.93	Canadian dollar	10
December 29, 2011	January 25, 2012	0.93	Canadian dollar	10
December 29, 2011	January 27, 2012	0.93	Canadian dollar	10
December 29, 2011	January 23, 2012	0.93	Canadian dollar	10
December 30, 2011	January 3, 2012	1.00	Canadian dollar	35
				$ 251

20. Long-term debt

A reconciliation between the opening and closing long-term debt balance is provided below:

(in millions)	
Advances from the Government of Saskatchewan's General Revenue Fund	
Balance, January 1, 2010	$ 2,493
Issues during the period	216
Repayments during the period	–
Amortization of debt premium net of discounts	(1)
Balance, December 31, 2010	**$ 2,708**
Issues during the period	–
Repayments during the period	–
Amortization of debt premium net of discounts	(1)
Balance, December 31, 2011	**$ 2,707**

Advances from the Government of Saskatchewan's General Revenue Fund (in millions)

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Par value	Unamortized premium (discount)	Outstanding amount
July 20, 1993	July 15, 2013	8.63	7.81	$ 97	$ –	$ 97
December 20, 1990	December 15, 2020	11.23	9.97	129	(1)	128
February 4, 1992	February 4, 2022	9.27	9.60	240	6	246
July 21, 1992	July 15, 2022	10.06	8.94	256	(1)	255
May 30, 1995	May 30, 2025	8.82	8.75	100	(1)	99
August 8, 2001	September 5, 2031	6.49	6.40	200	(2)	198
January 15, 2003	September 5, 2031	5.91	6.40	100	6	106
May 12, 2003	September 5, 2033	5.90	5.80	100	(1)	99
January 14, 2004	September 5, 2033	5.68	5.80	200	3	203
October 5, 2004	September 5, 2035	5.50	5.60	200	3	203
February 15, 2005	March 5, 2037	5.09	5.00	150	(2)	148
May 6, 2005	March 5, 2037	5.07	5.00	150	(1)	149
February 24, 2006	March 5, 2037	4.71	5.00	100	4	104
March 6, 2007	June 1, 2040	4.49	4.75	100	4	104
April 2, 2008	June 1, 2040	4.67	4.75	250	3	253
December 19, 2008	June 1, 2040	4.71	4.71	100	–	100
September 8, 2010	June 1, 2040	4.27	4.75	200	15	215
				$ 2,672	**$ 35**	**$ 2,707**

As at December 31, 2011, scheduled principal debt retirement requirements for the next five years are as follows:

(in millions)	**2012**	**2013**	**2014**	**2015**	**2016**
Principal debt repayments	$ –	$ 97	$ –	$ –	$ –

Under conditions attached to certain advances from the Government of Saskatchewan's General Revenue Fund, the Corporation is required to pay annually into debt retirement funds administered by the Government of Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding *(Note 16)*.

21. Finance lease obligations

(in millions)	**December 31 2011**	December 31 2010	January 1 2010
Total future minimum lease payments	**$ 1,439**	$ 981	$ 1,033
Less: future finance charges on finance leases	**(884)**	(569)	(620)
Present value of finance lease obligations	**555**	412	413
Less: current portion of finance lease obligations	**(3)**	(3)	(1)
Finance lease obligations	**$ 552**	$ 409	$ 412

As at December 31, 2011, scheduled future minimum lease payments and the present value of finance lease obligations are as follows:

(in millions)	**1 year**	**1 - 5 years**	**More than 5 years**
Future minimum lease payments	$ 71	$ 298	$ 1,070
Present value of finance lease obligations	3	34	518

22. Provisions

A reconciliation between the opening and closing provisions balance is provided below:

(in millions)	Decommissioning	Environmental remediation	Onerous contracts	Total
Provisions				
Balance, January 1, 2010	$ 73	$ 37	$ 1	**$ 111**
Provisions made during the period	6	–	–	**6**
Provisions used during the period	–	(3)	–	**(3)**
Unwinding of discount	3	2	–	**5**
Balance, December 31, 2010	**$ 82**	**$ 36**	**$ 1**	**$ 119**
Provisions made during the period	20	1	–	**21**
Provisions used during the period	–	–	–	**–**
Unwinding of discount	3	2	–	**5**
Balance, December 31, 2011	**$ 105**	**$ 39**	**$ 1**	**$ 145**

Decommissioning provisions

SaskPower estimates the undiscounted amount of cash flows required for decommissioning is approximately $220 million, which will be incurred between 2012 and 2043. The majority of these costs will be incurred between 2036 and 2043. Based on the Government of Saskatchewan bond yields, rates between 2.94% and 3.37% were used to calculate the carrying values of the provisions. No funds have been set aside by the Corporation to settle the decommissioning provisions.

Environmental remediation liabilities

Environmental remediation liabilities represent expected environmental expenditures related to present or past activities of the Corporation. SaskPower estimates the undiscounted amount of cash flows required for environmental remediation is approximately $43 million, which will be incurred by 2015. Based on the Government of Saskatchewan 10-year bond yield, a rate of 2.94% was used to calculate the carrying value of the provisions. No funds have been set aside by the Corporation to settle the environmental remediation liabilities.

Onerous contracts

SaskPower has an onerous contract for a building lease in Saskatoon. The contract is for five years and commenced on October 1, 2008. Effective, July 1, 2010, this building was subleased until December 31, 2013. The sublease has been recognized separately on the statement of financial position as other receivables and disclosed with other assets *(Note 18).*

23. Equity advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

24. Financial instruments

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

			December 31, 2011		December 31, 2010		January 1, 2010	
(in millions)			Asset (liability)		Asset (liability)		Asset (liability)	
Financial instruments	**Classification**[4]	**Level**[5]	**Carrying amount**	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Accounts receivable and unbilled revenue	L&R[2]	N/A	**$ 236**	**$ 236**	$ 227	$ 227	$ 219	$ 219
Debt retirement funds	FVTPL[1]	2	**353**	**353**	291	291	246	246
Other assets - investment	FVTPL[1]	3	**1**	**1**	1	1	1	1
Financial liabilities								
Bank indebtedness	FVTPL[1]	1	**$ (6)**	**$ (6)**	$ (7)	$ (7)	$ (5)	$ (6)
Accounts payable and accrued liabilities	OL[3]	N/A	**(338)**	**(338)**	(233)	(233)	(226)	(226)
Accrued interest	OL[3]	N/A	**(49)**	**(49)**	(49)	(49)	(48)	(48)
Short-term advances	FVTPL[1]	1	**(251)**	**(251)**	(159)	(159)	(272)	(272)
Long-term debt	OL[3]	2	**(2,707)**	**(3,717)**	(2,708)	(3,351)	(2,493)	(2,965)
Finance lease obligations	OL[3]	3	**(555)**	**(643)**	(412)	(463)	(413)	(454)

Risk management assets and liabilities

The following summarizes the classification and fair values of the Corporation's risk management activities:

			December 31, 2011		December 31, 2010		January 1, 2010	
(in millions)	**Classification**[4]	**Level**[5]	**Asset**	**Liability**	Asset	Liability	Asset	Liability
Natural gas contracts								
Two-way collars	FVTPL[1]	2	**$ –**	**$ –**	$ –	$ –	$ –	$ –
Fixed price swap instruments	FVTPL[1]	2	**–**	**(48)**	–	(47)	–	(28)
Forward agreements	FVTPL[1]	2	**–**	**(1)**	–	–	–	–
Electricity contracts								
Contracts for differences	FVTPL[1]	2	**6**	**(2)**	1	(4)	–	–
Forward agreements	FVTPL[1]	2	**–**	**(1)**	–	–	–	–
			$ 6	**$ (52)**	$ 1	$ (51)	$ –	$ (28)

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1. FVTPL – Fair value through profit or loss.
2. L&R – Loans and receivables.
3. OL – Other liabilities.
4. The Corporation has not classified any of its financial instruments as held-to-maturity.
5. Fair values are determined using a fair value hierarchy as follows:

    Level 1 – Quoted prices in active markets for identical assets or liabilities.

    Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.

    Level 3 – Inputs for the asset or liability that are not based on observable market data.

    Not applicable (N/A) – Financial instruments – including accounts receivable and unbilled revenue; accounts payable and accrued liabilities; and accrued interest – are carried at values which approximate fair value.

Market risk

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates, and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Natural gas contracts

The Corporation is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain PPAs that have a cost component based on the market price of natural gas. As at December 31, 2011, the Corporation had entered into financial and physical natural gas contracts to price manage approximately 49% of its budgeted natural gas purchases for 2012, 40% for 2013, 29% for 2014, 20% for 2015 and 9% for 2016.

Based on the Corporation's December 31, 2011, closing positions on its financial natural gas hedges, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $32 million improvement in the unrealized market value gains recognized in profit or loss for the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at December 31, 2011.

Electricity trading contracts

The Corporation is also exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is a commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specified period of time. VaR is used to determine the potential change in value of the proprietary trading portfolio, over a 10-day period within a 95% confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/covariance approach.

VaR has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this risk measure. In addition, the use of a 10-day measurement period implies that positions can be unwound or hedged within that period; however, this may not be possible if the market becomes illiquid. SaskPower recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, volumetric and term limits, stress-testing of individual portfolios and of the total proprietary trading portfolio, and management review. At December 31, 2011, the VaR associated with electricity trading activities was $1 million.

Debt retirement funds

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Government of Saskatchewan's General Revenue Fund. The Corporation has classified these investments as fair value through profit or loss and, therefore, recognized the change in the market value in profit or loss for the period. At December 31, 2011, SaskPower had $353 million in debt retirement funds. The fair value of the debt retirement funds is driven largely by interest rates. The estimated impact of a one per cent increase in interest rates, assuming no change in the amount of debt retirement funds, would be a $27 million decrease in the market value of the debt retirement funds.

Interest rate

The Corporation is exposed to interest rate risk on the Corporation's short-term variable interest rate debt. At December 31, 2011, SaskPower had $251 million in short-term advances outstanding. The Corporation is also exposed to interest rate risk arising from fluctuations in interest rates on future short-term and long-term borrowings. The expected borrowings in 2012 are $502 million, of which $127 million are short-term. Interest rate risk on these expected future borrowings are managed by having an appropriate mix of fixed and floating rate debt. The Corporation may also use derivative financial instruments when deemed appropriate to manage interest rate risk. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on profit or loss as substantially all of the Corporation's debt is at fixed rates as at December 31, 2011, and the amount of the short-term variable interest rate debt is not considered significant.

Foreign exchange

The Corporation faces exposure to the United States/Canadian dollar exchange rate primarily through the sale of electricity to customers in the United States as well as from the purchase of goods and services that are payable in United States dollars. The Corporation may utilize financial instruments to manage this risk. As at December 31, 2011, the Corporation had no outstanding foreign exchange derivative contracts. The impact of fluctuations in foreign exchange rates on SaskPower's financial instruments is not considered significant to the Corporation and, therefore, a sensitivity analysis of the impact on profit or loss has not been provided.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation does not have a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at December 31, 2011, is limited to the fair value of the financial assets recognized as follows:

(in millions)	**December 31 2011**	December 31 2010	January 1 2010
Financial assets			
Accounts receivable and unbilled revenue	**$ 236**	$ 227	$ 219
Risk management assets	**6**	1	–
Debt retirement funds	**353**	291	246
Investment	**1**	1	1
	$ 596	$ 520	$ 466

(a) Accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers, primarily throughout Saskatchewan. The following reflects an aging summary of the Corporation's customer accounts receivable balances for both electricity and non-electricity sales at December 31, 2011:

(in millions)	**December 31 2011**	December 31 2010	January 1 2010
Current	**$ 217**	$ 197	$ 196
30 – 59 days	**8**	11	9
60 – 89 days	**3**	3	3
90 days and greater	**11**	4	3
	$ 239	$ 215	$ 211
Allowance for doubtful accounts	**(7)**	(1)	(1)
Miscellaneous receivables	**4**	13	9
	$ 236	$ 227	$ 219

The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

(b) SaskPower is also exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. The Corporation maintains Board-approved credit policies and limits in respect to its counterparties.

(c) Debt retirement funds are on deposit with Government of Saskatchewan's General Revenue Fund and invested as the Minister of Finance may determine. At December 31, 2011, the Minister has invested these funds primarily in provincial government and federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at December 31, 2011, is considered low.

(d) In 2009, the Corporation converted its investment in Aurora Trust Series A Asset-Backed Commercial Paper (Aurora) to longer-term interest paying notes, Master Asset Vehicle II (MAVII), which will be paid off as the underlying assets mature. As of December 31, 2011, the investment has been written-down by 45% to reflect the uncertainty with respect to SaskPower being repaid the full value of its initial investment. It is recognized in other assets on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due or can do so only at excessive cost. SaskPower manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2011:

			Contractual cash flows				
(in millions)	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**7-12 months**	**1-2 years**	**3-5 years**	**More than 5 years**
Financial liabilities							
Bank indebtedness	$ 6	$ 6	$ 6	$ –	$ –	$ –	$ –
Accounts payable and accrued liabilities	338	338	338	–	–	–	–
Accrued interest	49	49	49	–	–	–	–
Risk management liabilities	52	52	52	–	–	–	–
Short-term advances	251	251	251	–	–	–	–
Long-term debt	2,707	5,760	38	87	271	499	4,865
	$ 3,403	**$ 6,456**	**$ 734**	**$ 87**	**$ 271**	**$ 499**	**$ 4,865**

Management believes its ability to generate and acquire funds will be adequate to support these financial liabilities.

26. Capital management

The Corporation's objective when managing capital is to ensure adequate capital to support the operations and growth strategies of the Corporation.

SaskPower raises most of its capital through internal operating activities and through funds obtained by borrowing from the Government of Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Government of Saskatchewan's strong credit rating. *The Power Corporation Act* provides the Corporation with the authority to have outstanding borrowings of up to $5 billion. This includes $1.4 billion which may be borrowed by way of temporary loans through the Government of Saskatchewan and through available credit of $51 million at financial institutions.

The Corporation's capital structure consists of long-term debt net of debt retirement funds, short-term advances, finance lease obligations, bank indebtedness, retained earnings, accumulated other comprehensive loss and equity advances.

The Corporation monitors its capital structure using the per cent debt ratio. The per cent debt ratio target is 60–75%. The per cent debt ratio is calculated as total net debt divided by total capital as follows:

(in millions)	**December 31 2011**	December 31 2010	January 1 2010
Long-term debt	**$ 2,707**	$ 2,708	$ 2,493
Short-term advances	**251**	159	272
Finance lease obligations	**555**	412	413
Total debt	**$ 3,513**	$ 3,279	$ 3,178
Debt retirement funds	**(353)**	(291)	(246)
Bank indebtedness	**6**	7	5
Total net debt	**$ 3,166**	$ 2,995	$ 2,937
Retained earnings	**1,204**	1,099	898
Accumulated other comprehensive loss	**–**	(1)	(1)
Equity advances	**660**	660	660
Total capital	**$ 5,030**	$ 4,753	$ 4,494
Per cent debt ratio	**63.0%**	63.0%	65.4%

27. Commitments and contingencies

(a) The Corporation has entered into PPAs that provide approximately 581 MW of generating capacity. Certain take-or-pay PPAs have been classified as finance leases and disclosed in *Note 21*. SaskPower has negotiated other PPAs which also will be classified as finance leases upon commissioning of the related generating facilities. The expected future minimum lease payments related to these PPAs is expected to be $2,530 million until 2033.

(b) SaskPower has entered into contracts to purchase natural gas expected to cost $341 million (2010 – $235 million) based on forward market prices until 2016. This includes fixed price forward contracts with a notional value of $324 million (2010 – $210 million) which apply for the own-use scope exception.

(c) At 2011 prices, the Corporation also has forward commitments of $1,086 million (2010 – $1,181 million) extending until 2024 for future minimum coal deliveries.

(d) The Corporation is forecasting to spend $998 million on capital projects in 2012.

(e) Through the Energy Performance Contracting (EPC) Program, the Corporation has guaranteed $22 million (2010 – $21 million) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings are realized.

(f) SaskPower has committed to electricity and natural gas trading sales of $14 million (2010 – $16 million) and electricity and natural gas trading and transmission purchases of $52 million (2010 – $51 million). These contracts are considered derivative financial instruments and changes in their fair value have been included in profit or loss.

(g) The Corporation has issued letters of credit in the amount of $6 million (2010 – $6 million) related to electricity trading activities and physical natural gas purchases. The Corporation has also provided a promissory note as acceptable credit support up to $5 million for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.

(h) SaskPower has various other legal matters pending which, in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

28. Net change in non-cash working capital

(in millions)		2011		2010
Accounts receivable and unbilled revenue	**$**	**(9)**	$	(8)
Inventory		**(16)**		7
Prepaid expenses		**(1)**		(1)
Other assets		**2**		1
Accounts payable and accrued liabilities		**105**		7
	$	**81**	$	6

29. Related party transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

In 2008, the federal government provided the Government of Saskatchewan's General Revenue Fund with $240 million to support carbon capture and storage demonstration projects. The General Revenue Fund subsequently transferred these funds to CIC. From 2008 to April 2011, CIC reimbursed SaskPower for eligible expenditures on the integrated carbon capture and sequestration (ICCS) project. In April 2011, cabinet gave SaskPower official approval to proceed with the ICCS Project. In June 2011, CIC transferred the unspent federal government grants totaling $67 million to SaskPower. Included in OM&A expense is $30 million (2010 – $110 million) of federal government grants. Netted against the property, plant, and equipment additions for capitalized costs of the project incurred since approval was obtained in April 2011 is $69 million of grant funding (2010 – $nil).

In addition, in 2011 the Corporation donated $3.5 million to the University of Regina to facilitate carbon capture and storage research and $3.5 million to the University of Saskatchewan for power systems engineering research.

The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Government of Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

Key management personnel compensation

Key management personnel include Directors and executive officers. The compensation paid to key management for employee services is shown below:

(in millions)		2011		2010
Salaries and short-term employee benefits	**$**	**4**	$	3
Post-employment benefits		**–**		–
Termination benefits		**–**		–
Other long-term benefits		**–**		–
	$	**4**	$	3

Dividend

In the first quarter of 2012, it was determined that SaskPower would pay a special $120 million dividend to CIC as a result of higher than expected earnings in 2011. The special dividend is payable in equal quarterly instalments commencing on March 30, 2012.

30. Employee benefits

Defined benefit pension plan

The Corporation sponsors a defined benefit pension plan (the Plan) that has been substantially closed to employees since 1977. The Plan is governed by *The Superannuation (Supplementary Provisions) Act* and *Regulations*, as well as *The Power Corporation Superannuation Act*.

The Plan provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI). The measurement date of the latest actuarial valuation used to determine the Plan assets and obligations was September 30, 2011 and the results were extrapolated to December 31, 2011.

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2008. Under current Canada Revenue Agency guidelines, an actuarial valuation for funding purposes is to be completed at a minimum, every three years.

The Plan is solely the obligation of the Corporation. The Corporation is not obligated to fund the Plan but is obligated to pay benefits under the terms of the Plan as they come due.

(a) Status of the Plan

The actuarial valuation measured at September 30, 2011, and extrapolated to December 31, 2011, showed that the Plan had an actuarial deficit of $262 million (2010 – $147 million). The calculation of the pension plan deficit is as follows:

(in millions)	**December 31 2011**	December 31 2010	January 1 2010
Plan assets			
Fair value, beginning of year	**$ 744**	$ 700	$ 640
Actual return on plan assets	**9**	67	79
Employer funding contributions	**27**	27	27
Employee funding contributions	**–**	1	1
Benefits paid	**(54)**	(51)	(47)
Fair value, end of year	**726**	744	700
Accrued benefit obligation			
Balance, beginning of year	**891**	863	717
Current service cost	**3**	7	7
Interest cost	**45**	48	55
Benefits paid	**(54)**	(51)	(47)
Actuarial loss (gain) on accrued benefit obligation	**103**	24	131
Balance, end of year	**988**	891	863
Plan deficit	**$ (262)**	$ (147)	$ (163)

(b) Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation are:

	December 31 2011	December 31 2010	January 1 2010
Discount rate, beginning of year	**5.25%**	5.75%	7.50%
Discount rate, end of year	**4.25%**	5.25%	5.75%
Expected long-term rate of return on plan assets, beginning of year	**6.75%**	6.75%	6.75%
Expected long-term rate of return on plan assets, end of year	**6.75%**	6.75%	6.75%
Long-term rate of compensation increases	**3.50%**	3.50%	3.50%
Remaining service life (years)	**0.30**	0.70	1.33
Long-term inflation rate	**2.50%**	2.50%	2.50%
Assumptions for benefit increases (% of CPI)	**70.00%**	70.00%	70.00%

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. Two of the most significant assumptions are the discount rate and expected long-term rate of return on plan assets. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations. The expected long-term rate of return on Plan assets is based upon the asset mix of the Plan and expected returns for each asset class.

(c) Benefit plan asset allocation

The following is a summary of the asset mix of the Plan's investments:

	December 31 2011	December 31 2010	January 1 2010
Equity securities	**53.0%**	56.7%	57.2%
Debt securities	**36.1%**	34.2%	34.3%
Short-term securities	**0.7%**	0.7%	0.8%
Real estate and infrastructure	**10.2%**	8.4%	7.7%
	100.0%	100.0%	100.0%

(d) Employee benefits expense

In 2011, using long-term assumptions as noted in (b), the Corporation recorded a non-cash employee benefits income of $1 million (2010 – $7 million expense). This amount was recorded in the Corporation's OM&A expense. The following is a summary of the calculation of the employee benefits (income) expense for the defined benefit pension plan:

(in millions)	**2011**	2010
SaskPower's current service cost	**$ 3**	$ 6
Interest on accrued benefit obligation	**45**	48
Expected return on plan assets	**(49)**	(47)
Employee benefits (income) expense	**$ (1)**	$ 7

(e) Employee benefits obligation

A reconciliation between the opening and closing employee benefits obligation balance is provided below:

(in millions)	**December 31 2011**	December 31 2010
Employee benefits		
Balance, beginning of year	**$ 147**	$ 163
Employee benefits (income) expense	**(1)**	7
SaskPower's contribution to the Plan	**(27)**	(27)
Actuarial loss (gain)	**143**	4
Balance, end of year	**$ 262**	$ 147

(f) Benefit payments

The benefit payments expected to be made to beneficiaries over the next five years are as follows:

(in millions)	**2012**	**2013**	**2014**	**2015**	**2016**
Expected benefit payments	$ 64	$ 65	$ 65	$ 65	$ 65

Defined contribution pension plan

The defined contribution pension plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to the contributions for current service. These contributions are charged to income when made. The employee benefits expense for the defined contribution pension plan recorded in OM&A expense is as follows:

(in millions)	**2011**	2010
Employee benefits expense	**$ 13**	$ 12

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan and a voluntary early retirement plan.

(a) Employee benefits expense

The employee benefits expense for the other benefit plans recorded in OM&A expense is as follows:

(in millions)	**2011**	2010
Employee benefits expense	**$ 9**	$ 8

(b) Employee benefits obligation

A reconciliation between the opening and closing employee benefits obligation balance is provided below:

(in millions)	**December 31 2011**	December 31 2010
Employee benefits		
Balance, beginning of year	**$ 56**	$ 60
Employee benefits expense	**9**	8
Benefits paid	**(12)**	(11)
Actuarial loss (gain)	**–**	(1)
Balance, end of year	**$ 53**	$ 56

(c) Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation are:

	December 31 2011	December 31 2010	January 1 2010
Discount rate	**3.75%**	3.25% - 4.00%	3.00% - 4.00%
Long-term rate of compensation increases	**3.50%**	3.50%	3.50%
Long-term inflation rate	**2.50%**	2.50%	2.50%
Remaining service life (years)	**8.19**	8.52	8.73

Cumulative actuarial gains and losses

The cumulative amount of actuarial gains and losses recorded in other comprehensive income related to the Corporation's defined benefit pension plans is as follows:

(in millions)	**December 31 2011**	December 31 2010
Balance, beginning of year	**$ 3**	$ –
Actuarial loss (gain) on plan assets	**40**	(20)
Actuarial loss (gain) on accrued benefit obligations	**103**	23
Balance, end of year	**$ 146**	$ 3

These amounts have been transferred from accumulated other comprehensive income to retained earnings as the actuarial gains and losses will not be reclassified to profit or loss in subsequent periods.

31. Explanation of transition to IFRS

(a) Application of IFRS 1

As stated in *Note 2(a)*, these are the Corporation's first consolidated financial statements prepared in accordance with IFRS. The accounting policies described in *Note 3* have been applied to all periods presented.

SaskPower adopted IFRS on January 1, 2011, and applied IFRS 1 in preparing these consolidated financial statements. IFRS 1 requires that comparative financial information be provided. As a result, the first date at which the Corporation has applied IFRS was January 1, 2010 (Transition Date). The reporting date for these consolidated financial statements is December 31, 2011.

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied the following relevant mandatory exceptions and optional exemptions from full retrospective application of IFRS.

(b) IFRS mandatory exceptions

i) Significant estimates

An entity's estimates under IFRS at the Transition Date shall be consistent with estimates made at the same date under previous GAAP (after adjustments to reflect difference in accounting policies) unless there is objective evidence that those estimates were in error. All SaskPower's estimates reflect conditions in effect at transition.

(c) IFRS optional exemptions

i) Deemed cost

IFRS 1 provides the option to measure an item of property, plant and equipment at the Transition Date at its fair value and use that fair value as its deemed cost at that date. The fair value then becomes the deemed cost which is subject to subsequent amortization. The Corporation has elected to measure certain land and building assets at fair value at the Transition Date.

ii) Leases

IFRS 1 provides the option to apply the transitional provisions in IFRS Interpretations Committee (IFRIC) 4, *Determining Whether an Arrangement Contains a Lease*. The Corporation has therefore elected to determine whether arrangements existing at the Transition Date contain a lease on the basis of facts and circumstances existing at the Transition Date. SaskPower was not required to reassess arrangements which were previously evaluated under Canadian GAAP.

iii) Employee benefits

IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, *Employee Benefits*, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings at the Transition Date. The Corporation elected to recognize all cumulative actuarial gains and losses that existed at its Transition Date in opening retained earnings for all of its defined benefit pension plans.

In addition, as permitted by IFRS 1, SaskPower has elected to disclose the amounts required by IAS 19, paragraph 120A(p), as the amounts are determined for each accounting period prospectively from the Transition Date.

iv) Decommissioning liabilities included in the cost of property, plant and equipment

IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, requires specified changes in a decommissioning, restoration, or similar liability to be added or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. IFRS 1 provides the option to not comply with these requirements for changes in such liabilities that occurred before the Transition Date. The Corporation has elected to not comply with the requirements for changes in such liabilities that occurred before the Transition Date.

v) Transfers of assets from customers

A first-time adopter may apply the transitional provisions set out in IFRIC 18, *Transfers of Assets from Customers*. In addition, a first-time adopter may designate any date before the Transition Date to IFRS and apply IFRIC 18 to all transfers of assets from customers received at or after July 1, 2009. SaskPower has elected to apply IFRIC 18 retrospectively. On the Transition Date, all unamortized customer contribution balances were recognized in opening retained earnings.

32. Reconciliations of Canadian GAAP to IFRS

In preparing the opening IFRS statement of financial position, SaskPower has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's equity; financial position, income; and cash flows for the respective periods noted is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity (in millions)

		Increase (decrease)	
As at	**Notes**	**January 1 2010**	**December 31 2010**
Total equity under Canadian GAAP		**$ 1,632**	**$ 1,792**
IFRS adjustments to equity:			
Recognition of customer contributions	(a)	322	350
Recognition of actuarial gains and losses on employee benefit plans	(b)	(185)	(137)
Recognition of finance lease obligations	(c)	(153)	(167)
Restatement of property, plant and equipment	(d)	(116)	(138)
Restatement of land and building assets to fair value at transition	(e)	57	56
Restatement of provisions	(f)	(7)	(8)
Recognition of onerous contract and sublease	(g)	(1)	–
Recognition of compensated absences	(h)	(1)	(1)
Restatement of associates and joint venture interests	(i)	9	11
Total IFRS adjustments		(75)	(34)
Total equity under IFRS		**$ 1,557**	**$ 1,758**

See accompanying notes.

Reconciliation of consolidated statement of financial position as at January 1, 2010

(in millions)	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Assets				
Current assets				
Cash and cash equivalents	$ –	$ –	$ –	**$ –**
Accounts receivable and unbilled revenue *(Note a)*	214	–	5	**219**
Inventory	147	–	–	**147**
Prepaid expenses *(Note j)*	–	–	4	**4**
Risk management assets	–	–	–	**–**
	361	–	9	**370**
Property, plant and equipment *(Notes a, c, d, e, f, i)*				
Property, plant and equipment	7,272	625	–	**7,897**
Less: accumulated depreciation	3,296	230	–	**3,526**
	3,976	395	–	**4,371**
Construction in progress	282	–	–	**282**
	4,258	395	–	**4,653**
Intangible assets *(Note j)*	–	–	25	**25**
Debt retirement funds	246	–	–	**246**
Investments accounted for using equity method *(Notes i, j)*	–	36	32	**68**
Other assets *(Notes h, j)*	83	(8)	(61)	**14**
Total assets	$ 4,948	$ 423	$ 5	**$ 5,376**
Liabilities and equity				
Current liabilities				
Bank indebtedness *(Note i)*	$ 2	$ 3	$ –	**$ 5**
Accounts payable and accrued liabilities *(Notes a, h)*	220	1	5	**226**
Accrued interest	48	–	–	**48**
Risk management liabilities	28	–	–	**28**
Short-term advances	272	–	–	**272**
Current portion of long-term debt *(Note i)*	4	(4)	–	**–**
Current portion of finance lease obligations *(Note c)*	–	1	–	**1**
	574	1	5	**580**
Long-term debt *(Note i)*	2,567	(74)	–	**2,493**
Finance lease obligations *(Note c)*	–	412	–	**412**
Employee benefits *(Notes h, k)*	–	177	46	**223**
Provisions *(Notes f, g, i, k)*	175	(18)	(46)	**111**
Total liabilities	3,316	498	5	**3,819**
Equity				
Retained earnings	973	(75)	–	**898**
Accumulated other comprehensive loss	(1)	–	–	**(1)**
Equity advances	660	–	–	**660**
Total equity	1,632	(75)	–	**1,557**
Total liabilities and equity	$ 4,948	$ 423	$ 5	**$ 5,376**

See accompanying notes

Reconciliation of consolidated statement of financial position as at December 31, 2010

(in millions)	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Assets				
Current assets				
Cash and cash equivalents	$ –	$ –	$ –	**$ –**
Accounts receivable and unbilled revenue *(Note a)*	222	–	5	**227**
Inventory	144	–	–	**144**
Prepaid expenses	5	–	–	**5**
Risk management assets	1	–	–	**1**
	372	–	5	**377**
Property, plant and equipment *(Notes a, c, d, e, f, i)*				
Property, plant and equipment	7,772	638	–	**8,410**
Less: accumulated depreciation	3,488	250	–	**3,738**
	4,284	388	–	**4,672**
Construction in progress	251	–	–	**251**
	4,535	388	–	**4,923**
Intangible assets	24	–	–	**24**
Debt retirement funds	291	–	–	**291**
Investments accounted for using equity method *(Note i)*	34	37	–	**71**
Other assets *(Note g)*	12	1	–	**13**
Total assets	$ 5,268	$ 426	$ 5	**$ 5,699**
Liabilities and equity				
Current liabilities				
Bank indebtedness *(Note i)*	$ 5	$ 2	$ –	**$ 7**
Accounts payable and accrued liabilities *(Notes a, h)*	227	1	5	**233**
Accrued interest	49	–	–	**49**
Risk management liabilities	51	–	–	**51**
Short-term advances	159	–	–	**159**
Current portion of long-term debt *(Note i)*	4	(4)	–	**–**
Current portion of finance lease obligations *(Note c)*	–	3	–	**3**
	495	2	5	**502**
Long-term debt *(Note i)*	2,778	(70)	–	**2,708**
Finance lease obligations *(Note c)*	–	409	–	**409**
Employee benefits *(Note h)*	66	137	–	**203**
Provisions *(Notes f, g, i)*	137	(18)	–	**119**
Total liabilities	3,476	460	5	**3,941**
Equity				
Retained earnings	1,133	(34)	–	**1,099**
Accumulated other comprehensive loss	(1)	–	–	**(1)**
Equity advances	660	–	–	**660**
Total equity	1,792	(34)	–	**1,758**
Total liabilities and equity	$ 5,268	$ 426	$ 5	**$ 5,699**

See accompanying notes

Reconciliation of consolidated statement of income for the year ended December 31, 2010

(in millions)	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Revenue				
Saskatchewan electricity sales	$ 1,575	$ –	$ –	**$ 1,575**
Exports	12	–	–	**12**
Net sales from electricity trading *(Note p)*	1	–	3	**4**
Share of profit from equity accounted investees *(Notes i, l)*	–	4	6	**10**
Other revenue *(Notes a, l, m)*	163	43	(116)	**90**
	1,751	47	(107)	**1,691**
Expense				
Fuel and purchased power *(Notes c, i, p)*	511	(46)	(19)	**446**
Operating, maintenance and administration *(Notes b, c, d, g, i, m)*	641	(18)	(110)	**513**
Depreciation and amortization *(Notes a, c, d, e, f, i, n, o)*	258	22	(14)	**266**
Finance charges *(Notes c, i, n, p)*	139	45	8	**192**
Taxes	42	–	–	**42**
Other losses (gains) *(Note o)*	–	–	9	**9**
	1,591	3	(126)	**1,468**
Income before the following	160	44	19	**223**
Unrealized market value adjustments *(Note p)*	–	–	(19)	**(19)**
Net income	$ 160	$ 44	$ –	**$ 204**

See accompanying notes

Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2010

(in millions)	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Net income	$ 160	$ 44	$ –	**$ 204**
Other comprehensive income (loss)				
Share of other comprehensive income from equity accounted investees	–	–	–	**–**
Defined benefit pension plans actuarial gains (losses) *(Note b)*	–	(3)	–	**(3)**
	–	(3)	–	**(3)**
Total comprehensive income	$ 160	$ 41	$ –	**$ 201**

See accompanying notes

Reconciliation of consolidated statement of cash flows for the year ended December 31, 2010

(in millions)	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Operating activities				
Net income	$ 160	$ 44	$ –	**$ 204**
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization *(Notes a, c, d, e, f, i, n, o)*	258	22	(14)	**266**
Finance charges *(Notes c, i, n, q)*	–	45	147	**192**
Other losses (gains) *(Note o)*	–	–	9	**9**
Unrealized market value adjustments	19	–	–	**19**
Debt retirement fund earnings *(Note q)*	(17)	–	17	**–**
Defined benefit pension plan contribution	(27)	–	–	**(27)**
Defined benefit pension plan expense *(Note b)*	53	(46)	–	**7**
Other benefit plans *(Notes b, r)*	–	(5)	2	**(3)**
Share of profit from equity accounted investees *(Note i)*	(6)	(4)	–	**(10)**
Environmental remediation expenditures	(3)	–	–	**(3)**
Allowance for obsolescence	(4)	–	–	**(4)**
Other *(Notes q, r)*	–	–	–	**–**
	433	56	161	**650**
Net change in non-cash working capital *(Notes q, r)*	8	–	(2)	**6**
Interest paid *(Notes c, i, q)*	–	(45)	(174)	**(219)**
Cash provided by operating activities	441	11	(15)	**437**
Investing activities				
Property, plant and equipment additions *(Note d)*	(543)	26	–	**(517)**
Intangible assets additions *(Note d)*	(7)	1	–	**(6)**
Interest capitalized *(Note q)*	(15)	–	15	**–**
Customer contributions *(Note a)*	43	(43)	–	**–**
Distributions from equity accounted investees *(Note i)*	4	3	–	**7**
Cash used in investing activities	(518)	(13)	15	**(516)**
Decrease in cash before financing activities	(77)	(2)	–	**(79)**
Financing activities				
Net repayment of short-term advances	(113)	–	–	**(113)**
Proceeds from recourse debt	216	–	–	**216**
Repayment of non-recourse debt *(Note i)*	(4)	4	–	**–**
Debt retirement fund instalments	(25)	–	–	**(25)**
Principal repayment of finance lease obligations *(Note c)*	–	(1)	–	**(1)**
Cash provided by financing activities	74	3	–	**77**
(Decrease) increase in cash	(3)	1	–	**(2)**
Bank indebtedness, beginning of year *(Note i)*	(2)	(3)	–	**(5)**
Bank indebtedness, end of year	$ (5)	$ (2)	$ –	**$ (7)**

See accompanying notes

Notes for reconciliations

(a) Recognition of customer contributions

Customer contributions are funds received from certain customers toward the costs of service extensions. Under IFRS, these contributions are recognized immediately in profit or loss as other revenue when the related property, plant and equipment is available for use. Under Canadian GAAP, contributions in aid of construction were netted against property, plant and equipment and amortized over the estimated service life of the related asset. The amortization of these contributions was netted against depreciation expense.

Upon transition to IFRS, the Corporation elected to recognize all unamortized customer contribution balances in opening retained earnings. The impact arising from the change is summarized as follows:

Consolidated statement of financial position

	Increase (decrease)	
(in millions)	January 1 2010	December 31 2010
Accounts receivable and unbilled revenue	$ 5	$ 5
Property, plant and equipment	482	525
Less: accumulated depreciation	160	175
Total assets	**$ 327**	**$ 355**
Accounts payable and accrued liabilities	$ 5	$ 5
Retained earnings	322	350
Total liabilities and equity	**$ 327**	**$ 355**

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Other revenue	$ 43
Depreciation and amortization	15
Adjustment to net income	**$ 28**

(b) Recognition of actuarial gains and losses on employee benefit plans

Under IFRS, SaskPower's accounting policy is to recognize all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income in the period in which they arise. Under Canadian GAAP, the Corporation recognized actuarial gains and losses in income over the average remaining service life of the employees in the Plan (the corridor approach).

At the Transition Date, SaskPower elected to recognize all previously unrecognized cumulative actuarial gains and losses for all defined benefit plans in retained earnings. The pension expense recognized in OM&A expense has been recalculated based on the actuarial valuations obtained at each year-end. The impact arising from the change is summarized as follows:

Consolidated statement of financial position

	Increase (decrease)	
(in millions)	January 1 2010	December 31 2010
Other assets	$ (8)	$ –
Total assets	**$ (8)**	**$ –**
Employee benefits	$ 177	$ 137
Retained earnings	(185)	(137)
Total liabilities and equity	**$ (8)**	**$ –**

Consolidated statement of comprehensive income

	Increase (decrease)
(in millions)	For the year ended December 31, 2010
Operating, maintenance and administration	$ (51)
Adjustment to net income	**$ 51**
Defined benefit pension plans actuarial gains (losses)	$ (3)
Adjustment to other comprehensive income	**$ (3)**

(c) Recognition of finance lease obligations

Under IFRS, certain take-or-pay PPAs which give the Corporation the exclusive right to use specific production assets have been determined to meet the definition of a lease. Under Canadian GAAP, lease treatment was not required as the contracts were entered into prior to the effective date of the Canadian GAAP standard.

Upon transition to IFRS, the Corporation has elected to recognize finance leases for these arrangements on the basis of facts and circumstances existing at the Transition Date. The impact arising from the change is summarized as follows:

Consolidated statement of financial position

	Increase (decrease)	
(in millions)	January 1 2010	December 31 2010
Property, plant and equipment	$ 388	$ 388
Less: accumulated depreciation	128	143
Total assets	**$ 260**	**$ 245**
Current portion of finance lease obligations	$ 1	$ 3
Finance lease obligations	412	409
Retained earnings	(153)	(167)
Total liabilities and equity	**$ 260**	**$ 245**

Consolidated statement of income

	Increase (decrease)
(in millions)	For the year ended December 31, 2010
Fuel and purchased power	$ (66)
Operating, maintenance and administration	14
Depreciation and amortization	15
Finance charges	51
Adjustment to net income	**$ (14)**

(d) Restatement of property, plant and equipment

Under IFRS, property, plant and equipment is recorded at historical cost and includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes materials and direct labour. Under Canadian GAAP, SaskPower's accounting policy was to capitalize costs including material, direct labour and overhead.

On transition to IFRS, the Corporation derecognized certain capitalized costs, including general and administrative overhead, which were not eligible to be capitalized under IFRS. The impact arising from the change is summarized as follows:

Consolidated statement of financial position

(in millions)	Increase (decrease) January 1 2010	 December 31 2010
Property, plant and equipment	$ (129)	$ (156)
Less: accumulated depreciation	(13)	(18)
Total assets	**$ (116)**	**$ (138)**
Retained earnings	$ (116)	$ (138)
Total liabilities and equity	**$ (116)**	**$ (138)**

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Operating, maintenance and administration	$ 27
Depreciation and amortization	(5)
Adjustment to net income	**$ (22)**

(e) Restatement of land and building assets to fair value at transition

Under IFRS, land and buildings assets will be measured at historical cost. Under Canadian GAAP, these properties were also measured on a cost basis.

Upon transition to IFRS, SaskPower elected to measure certain land and building assets at fair value. The impact arising from the change is summarized as follows:

Consolidated statement of financial position

	Increase (decrease)	
(in millions)	January 1 2010	December 31 2010
Property, plant and equipment - land	$ 22	$ 22
Property, plant and equipment - buildings	27	27
Less: accumulated depreciation	(8)	(7)
Total assets	**$ 57**	**$ 56**
Retained earnings	$ 57	$ 56
Total liabilities and equity	**$ 57**	**$ 56**

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Depreciation and amortization	$ 1
Adjustment to net income	**$ (1)**

(f) Restatement of provisions

Under IFRS, a decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes decommissioning provisions in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. Under Canadian GAAP, asset retirement obligations were recognized in respect of SaskPower's legal obligation to decommission its coal, natural gas, cogeneration and wind generation facilities.

On transition to IFRS, decommissioning obligations were re-measured based on management's best estimate of future cash flows at the reporting date. Accordingly, the Corporation elected to estimate the amount included in the cost of the related asset when the liability first arose by discounting the liability back to the commissioning date, and calculated the accumulated depreciation on that amount based on current depreciation rates.

Under IFRS, a provision for environmental remediation liabilities is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. Under Canadian GAAP, the Corporation recognized environmental remediation provisions based on management's best estimate considering current environmental laws and regulations. Upon transition to IFRS, these environmental remediation provisions were re-measured at discounted amounts. The impact arising from the changes is summarized as follows:

Consolidated statement of financial position

	Increase (decrease)	
(in millions)	January 1 2010	December 31 2010
Property, plant and equipment	$ (31)	$ (32)
Less: accumulated depreciation	(6)	(7)
Total assets	**$ (25)**	**$ (25)**
Provisions	$ (18)	$ (17)
Retained earnings	(7)	(8)
Total liabilities and equity	**$ (25)**	**$ (25)**

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Depreciation and amortization	$ 1
Adjustment to net income	**$ (1)**

(g) Recognition of onerous contract and sublease

Under IFRS, a provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Under Canadian GAAP, no obligations were recognized for onerous contracts.

On transition to IFRS, the Corporation recognized a provision for an onerous contract for which the expected benefits to be derived from the contract are lower than the unavoidable cost of meeting the obligations under the contract. A separate asset has also been recorded for subsequent reimbursements expected to be received. The impact arising from the changes is summarized as follows:

Consolidated statement of financial position

	Increase (decrease)	
(in millions)	January 1 2011	December 31 2010
Other assets	$ –	$ 1
Total assets	**$ –**	**$ 1**
Provisions	$ 1	$ 1
Retained earnings	(1)	–
Total liabilities and equity	**$ –**	**$ 1**

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Operating, maintenance and administration	$ (1)
Adjustment to net income	**$ 1**

(h) Recognition of compensated absences

Under IFRS, SaskPower recognizes an obligation for accumulating compensated absences (banked sick days). Under Canadian GAAP, no obligations were recognized for compensated absences.

On transition to IFRS, the Corporation recognized an obligation for compensated absences based on the additional amount that the Corporation expects to pay as a result of the unused entitlement for sick leave that has accumulated at the end of the reporting period. The impact arising from the changes is summarized as follows:

Consolidated statement of financial position

	Increase (decrease)	
(in millions)	**January 1 2010**	**December 31 2010**
Accounts payable and accrued liabilities	$ 1	$ 1
Retained earnings	(1)	(1)
Total liabilities and equity	**$ –**	**$ –**

Consolidated statement of income

	Increase (decrease)
(in millions)	**For the year ended December 31, 2010**
Operating, maintenance and administration	$ –
Adjustment to net income	**$ –**

(i) Restatement of associates and joint venture interests

Under IFRS, SaskPower accounts for its jointly controlled interest in the Cory Cogeneration Station and Cory Cogeneration Funding Corporation (Cory) using the equity method. Under Canadian GAAP, SaskPower accounted for its joint venture interests in Cory using the proportionate consolidation method.

Upon transition to IFRS, SaskPower eliminated its proportionate consolidation entries with regards to the Cory joint ventures. In addition, SaskPower recognized its share of the IFRS opening adjustments relating to its investment in Cory and the MRM Cogeneration Station. The impact arising from the changes is summarized as follows:

Consolidated statement of financial position

	Increase (decrease)	
(in millions)	**January 1 2010**	**December 31 2010**
Property, plant and equipment	$ (134)	$ (136)
Less: accumulated depreciation	(31)	(36)
Investments accounted for using equity method	36	37
Total assets	**$ (67)**	**$ (63)**
Bank indebtedness	$ 3	$ 2
Current portion of long-term debt	(4)	(4)
Long-term debt	(74)	(70)
Provisions	(1)	(2)
Retained earnings	9	11
Total liabilities and equity	**$ (67)**	**$ (63)**

Consolidated statement of income

	Increase (decrease)
(in millions)	**For the year ended December 31, 2010**
Share of profit from equity accounted investees	$ 4
Fuel and purchased power	20
Operating, maintenance and administration	(7)
Depreciation and amortization	(5)
Finance charges	(6)
Adjustment to net income	**$ 2**

(j) Reclassification of other assets

The impact arising from the reclassification is summarized as follows:

Consolidated statement of financial position

(in millions)	Increase (decrease) January 1 2010	Increase (decrease) December 31 2010
Prepaid expenses	$ 4	$ –
Intangible assets	25	–
Investments accounted for using equity method	32	–
Other assets	(61)	–
Total assets	**$ –**	**$ –**

(k) Reclassification of employee benefits

The impact arising from the reclassification is summarized as follows:

Consolidated statement of financial position

(in millions)	Increase (decrease) January 1 2010	Increase (decrease) December 31 2010
Employee benefits	$ 46	$ –
Provisions*	(46)	–
Total liabilities and equity	**$ –**	**$ –**

* Provisions were previously referred to as other liabilities under Canadian GAAP.

(l) Reclassification of share of profit from equity accounted investees

The impact arising from the reclassification is summarized as follows:

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Share of profit from equity accounted investees	$ 6
Other revenue	(6)
Adjustment to net income	**$ –**

(m) Reclassification of grant funding revenue

The impact arising from the reclassification is summarized as follows:

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Other revenue	$ (110)
Operating, maintenance and administration	(110)
Adjustment to net income	**$ –**

(n) Reclassification of interest expense on provisions (unwinding of discount)

The impact arising from the reclassification is summarized as follows:

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Depreciation and amortization	$ (5)
Finance charges	5
Adjustment to net income	**$ –**

(o) Reclassification of other losses (gains)

The impact arising from the reclassification is summarized as follows:

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Depreciation and amortization	$ (9)
Other losses (gains)	9
Adjustment to net income	**$ –**

(p) Reclassification of unrealized market value adjustments

The impact arising from the reclassification is summarized as follows:

Consolidated statement of income

(in millions)	Increase (decrease) For the year ended December 31, 2010
Net sales from electricity trading	$ 3
Fuel and purchased power	(19)
Finance charges	3
Unrealized market value adjustments	(19)
Adjustment to net income	**$ –**

(q) Disclosure of cash interest paid

The impact arising from the reclassification is summarized as follows:

Consolidated statement of cash flows

(in millions)	Increase (decrease) For the year ended December 31, 2010
Finance charges	$ 142
Debt retirement fund earnings	17
Other non-cash items	1
Net change in non-cash working capital	(1)
Interest paid	(174)
Interest capitalized	15
Adjustment to cash flows	**$** –

(r) Reclassification of other non-cash items

The impact arising from the reclassification is summarized as follows:

Consolidated statement of cash flows

(in millions)	Increase (decrease) For the year ended December 31, 2010
Other benefit plans	$ 2
Other non-cash items	(1)
Net change in non-cash working capital	(1)
Adjustment to cash flows	**$** –

Corporate governance

Accountability is a principal component of SaskPower's corporate values and is essential in our relationship with our customers, stakeholders and shareholder. In order to ensure the continuing presence of a sound corporate governance structure, our company remains committed to ongoing evaluation. Our aim is to strengthen transparency while executing a comprehensive program of reporting.

Company structure

SaskPower is governed by *The Power Corporation Act*. It is subject to the provisions of *The Crown Corporations Act, 1993*, which gives the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, broad authority to set the direction of SaskPower. In practice, directives are normally in the following forms: CIC Crown subsidiary policies applying to all CIC Crowns; CIC Board resolutions and directives; and CIC management directives.

As the shareholder of SaskPower, CIC provides oversight of our company's operations. Communication is implemented through written policies and directives issued by CIC's management or its Board of Directors, as well as verbally through discussions with SaskPower leaders. Our company reports to CIC on a regular basis on matters such as Corporate Balanced Scorecard results, financial statements and forecasts, capital expenditures and debt obligations. SaskPower also provides ad hoc reports to CIC upon request.

Where required by legislation or policy directive, our company submits performance management and investment decisions for review and approval by CIC and provincial cabinet. Through its Chair, who is an outside Director, the SaskPower Board of Directors is accountable to the Minister Responsible for Saskatchewan Power Corporation. The Minister functions as a link between SaskPower and cabinet, as well as the provincial legislature.

The Legislative Assembly of Saskatchewan appoints members to the Standing Committee on Crown and Central Agencies at the beginning of each legislative session. This committee holds public hearings and is empowered to review the annual reports, financial statements and operations of Crown corporations and related agencies. The Minister Responsible for Saskatchewan Power Corporation and our company's senior executives are called before the committee to answer questions about the year under review and issues of topical concern.

Governing our company

The Board of Directors is responsible for the general stewardship of SaskPower. It is accountable for setting direction, monitoring and evaluating achievement, as well as identifying any necessary corrective action for SaskPower. The Board works with management to develop and approve SaskPower's Strategic Plan, annual budget and Business Plan. It participates in identifying business risks and oversees the implementation of appropriate systems to achieve a balance between risks incurred and potential returns.

All of SaskPower's Board Members, including the Chair, are independent of management. The expectations and responsibilities of Directors are outlined in the terms of reference. Board Members receive a comprehensive orientation and continuing education. In addition to being subject to SaskPower's Code of Conduct Policy, Board Members are also bound by the CIC Directors' Code of Conduct. Peer evaluations are completed every two years.

Director	Meetings attended[1]
Joel Teal, Chair	9
Bill Wheatley, Vice-chair	8
Tammy Cook-Searson	4.5
Ian Coutts	6
Judy Harwood	9
Mitchell Holash	9
Nicholas Kaufman	9
Bryan Leverick	7
Mick MacBean	7
Andy McCreath	8
Lorne Mysko	9

1. There were a total of 9 meetings held in 2011.

Visit saskpower.com for a full description of SaskPower's corporate governance practices, including Board and Director terms of reference.

Leadership by committee

During the year, the Board reviewed the strategic direction of SaskPower, as well as numerous operational, financial, environmental, human resource and governance items. The Board also continues to adopt policies and processes to enable effective communication with our shareholder, stakeholders and public.

Our company's Board has standing committees to assist in discharging specific areas of responsibility. In 2011, the Board had three standing committees:

Audit and Finance Committee
Five meetings
Chair: Mick MacBean
Members: Ian Coutts, Bryan Leverick and Bill Wheatley

The Audit and Finance Committee's terms of reference mandate the committee to assist the Board in meeting its responsibilities with respect to financial reporting, internal controls and accountability. The committee oversees the risk management reporting of SaskPower and directly interacts with the internal and external auditors. The committee ensures that the Board is provided with financial plans, proposals and information that are consistent with our company's overall strategic planning and public policy objectives.

During 2011, the committee reviewed annual and interim financial statements, regular risk reporting packages, Corporate Balanced Scorecard reporting, the 2012 Business Plan, as well as the Deloitte & Touche and Provincial Auditor 2010 audit summaries. The committee approved the work plan for the Internal Audit Department and monitored quarterly reporting on irregularities. Although there were no material irregularities in 2011, quarterly reporting enhances and underscores ongoing vigilance in this area.

The committee is also responsible for reviewing proposed capital and operating, maintenance and administration projects that are material from a risk or value perspective prior to referral to the Board. In 2011, the committee approved several capital projects, including: establishment of a neutral platform Carbon Capture Test Facility; expansion of Queen Elizabeth Power Station; reinforcement of the transmission system in the Pasqua to Swift Current area; and development of the Advanced Metering Infrastructure Project. In addition, the committee monitored the progress of SaskPower's Boundary Dam Integrated Carbon Capture and Storage Demonstration Project and approved a Funding Policy for the Power Corporation Superannuation Plan.

Environment, Occupational Health and Safety Committee
Four meetings
Chair: Tammy Cook-Searson
Members: Judy Harwood, Nick Kaufman, Andy McCreath and Lorne Mysko

The Environment, Occupational Health and Safety Committee is charged with ensuring that our company proactively addresses safety, health and environmental issues and is in compliance with regulatory and statutory requirements. Highlights of the committee's activities in 2011 include: reviewing the results of SaskPower's first annual dam safety assessment; monitoring the integrity of SaskPower's dams after spring flooding; and reviewing our company's contractor safety management plan for the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. The committee also continued to monitor developments in environmental regulation, including the introduction of proposed federal regulations to reduce greenhouse gas emissions.

Governance/Human Resources Committee
Six meetings (including one for new Board Member orientation)
Chair: Bryan Leverick
Members: Judy Harwood, Mitch Holash and Nick Kaufman

The Governance/Human Resources Committee is responsible for the development, review and effectiveness of SaskPower's corporate governance practices. The committee's governance-related duties include serving as ethics advisor for the Board, monitoring and evaluating overall Board performance on a bi-annual basis, providing guidance on governance issues to Directors, and recommending governance issues for discussion by the Board or committees.

In 2011, the committee approved some revisions to SaskPower's corporate governance policies and practices, including changes to the governance structure of two SaskPower subsidiaries, a new Signing Authority Policy for SaskPower and a new comprehensive Enterprise Security Policy Set.

The Governance/Human Resources Committee is also charged with overseeing SaskPower's human resources strategies, programs and practices. In 2011, the committee reviewed changes to SaskPower's Workforce Plan and monitored the successful renegotiation of collective bargaining agreements with each of the two unions that represent the majority of SaskPower's employees.

Assessing our governance performance

Our company is committed to regularly revisiting key elements of SaskPower's decision-making processes to ensure we continue to meet best practice standards. As a Crown corporation, SaskPower is not required to comply with Canadian Securities Administrators (CSA) Governance Guidelines. However, we use these guidelines to benchmark our governance practices.

Our company's practices are substantially consistent with CSA standards, as set out in the following scorecard:

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Composition of the Board 3.1 The Board should have a majority of independent Directors.	The Board is comprised of 11 independent Directors.	Yes
3.2 The Chair of the Board should be an independent Director. Where this is not appropriate, an independent Director should be appointed to act as "Lead Director." However, either an independent Chair or an independent Lead Director should act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent Director.	Yes
Meetings of independent Directors 3.3 The independent Directors should hold regularly scheduled meetings at which non-independent Directors and members of management are not in attendance.	All members are independent. The Board typically has at least one in camera session without management at every meeting.	Yes
Board mandate 3.4 The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:	The Board has a written mandate in its terms of reference, where it explicitly acknowledges that the Board of Directors functions as a steward of the company.	Yes
(a) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;	The terms of reference for a Director state that Directors shall require "of themselves and corporate employees high standards of ethical behaviour..." The President and CEO mandate also places accountability on that position for ensuring activities and practices of the company are ethical and compliant with the law.	Yes

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	The Board, working with the executive, provides strategic direction to SaskPower. Formally, this is accomplished with the annual approval of the Strategic Plan.	**Yes**
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	The Board identifies principal risks to the company on an annual basis. Either directly or through the Audit and Finance Committee, the Board monitors the company's risk management programs. It also oversees the implementation of risk-management systems. The Audit and Finance Committee meets regularly to review reports and discuss significant risk concerns with both the internal and external auditors.	**Yes**
(d) succession planning (including appointing, training and monitoring senior management);	The Board terms of reference state that the Board is responsible for succession planning.	**Yes**
(e) adopting a communication policy for the issuer;	Pursuant to the Board terms of reference, the Board adopts policies and processes to enable effective communication with CIC, stakeholders and the public.	**Yes**
(f) the issuer's internal control and management information systems; and	The Board has approved an internal control program. SaskPower has documented and evaluated the design of the company's internal controls over financial reporting, including the adequacy of its information systems. Our company has developed a testing program to regularly evaluate the effectiveness of these controls. SaskPower's CEO and CFO annually certify that our company has developed an appropriate set of internal controls over financial reporting and that the controls are working effectively.	**Yes**
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.[1]	The Governance/Human Resources Committee is responsible for and reports to the Board on corporate governance matters. The committee also functions as the ethics advisor for the Board.	**Yes**
The written mandate of the Board should also set out: (i) measures for receiving feedback from stakeholders (e.g., the Board may wish to establish a process to permit stakeholders to directly contact the independent Directors), and	The Board assumes responsibility for adopting policies and processes to enable effective communication with the shareholder, stakeholders and the public. To facilitate feedback from employees, the Board has adopted a whistle blower policy.	**Yes**
(ii) expectations and responsibilities of Directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials. In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 Disclosure Standards.	Expectations and responsibilities of Directors, including participation in and preparation for meetings, are outlined in the terms of reference for a Director.	**Yes**

1. Issuers may consider appointing a Corporate Governance Committee to consider these issues. A Corporate Governance Committee should have a majority of independent Directors, with the remaining members being "non-management" Directors.

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Position descriptions 3.5 The Board should develop clear position descriptions for the Chair of the Board and the Chair of each Board committee. In addition, the Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	The Governance/Human Resources Committee annually reviews the terms of reference for the Board Chair as well as Committee Chairs. These are approved by the Board. The Board has also adopted a President and CEO mandate.	**Yes**
Orientation and continuing education 3.6 The Board should ensure that all new Directors receive a comprehensive orientation. All new Directors should fully understand the role of the Board and its committees, as well as the contribution individual Directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its Directors). All new Directors should also understand the nature and operation of the issuer's business.	The Governance/Human Resources Committee terms of reference state that it shall recommend a Director orientation and continuing education policy. New Directors receive a comprehensive orientation to corporate issues and processes. Comprehensive briefing materials are also provided to new members covering key aspects of our company's business. The expectations of individual Directors are set out in the terms of reference for a Director approved by the Board. These expectations include attendance at meetings, participation in Board and committee work, and advance preparation for each meeting.	**Yes**
3.7 The Board should provide continuing education opportunities for all Directors, so that individuals may maintain or enhance their skills and abilities as Directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	SaskPower Board Members are offered the opportunity to attend The Director's College. Sponsored by CIC, this modular program focuses on the highest calibre governance practices, including technical and behavioural aspects of board governance. Directors who complete all five modules of the program are eligible to write a final examination and receive certification as a chartered corporate Director. In addition, our company provides opportunities to participate in site visits and tours. The Board also receives industry-specific briefings as a backdrop for policy and investment decisions.	**Yes**
Code of Business Conduct and Ethics 3.8 The Board should adopt a written Code of Business Conduct and Ethics (a Code). The Code should be applicable to Directors, officers and employees of the issuer. The Code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:	SaskPower has a written Code of Conduct Policy applicable to Directors, officers and employees. It is intended to provide both general and specific guidelines to protect and guide SaskPower personnel faced with ethical, moral and legal dilemmas during the course of their employment or in carrying out their duties. The Board has the responsibility to review and revise the Code, as required. The Board has further strengthened this directive by adopting a whistle blower policy and implementing an anonymous reporting process to help deter wrongdoing. Quarterly irregularity reporting has been implemented to keep the Board informed of compliance issues.	**Yes**
(a) conflicts of interest, including transactions and agreements in respect of which a Director or Executive Officer has a material interest;	The Code addresses conflicts of interest. Board Members complete and file annual conflict of interest declarations with the office of the General Counsel as well as declare any conflicts on the spot as they may arise in a meeting setting. Board Members are also bound by the CIC Directors' Code of Conduct.	**Yes**
(b) protection and proper use of assets and opportunities;	Property and inventions are covered in the Code as well as the appropriate use of business assets.	**Yes**
(c) confidentiality of corporate information;	Confidentiality is covered in the Code, including SaskPower information that contains third party information and personal information about personnel and customers.	**Yes**

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Fair dealing is covered in the General Conduct Principles section of the Code as follows: "SaskPower expects personnel to conduct themselves…in a manner that is and is perceived to be fair and evenhanded, and to carry on their activities within the scope of their duties and in compliance with applicable laws and this Code and related policies. The public is entitled to expect and receive…fair and equitable treatment and compliance with confidentiality expectations and laws, whether in the provision of services or in the acquisition of property."	**Yes**
(e) compliance with laws, rules and regulations; and	The Code requires Directors, officers and employees to comply with applicable laws and related policies.	**Yes**
(f) reporting of any illegal or unethical behaviour.	The Code places an onus on employees to report suspected illegal or unethical behaviour. This is facilitated by specific procedures for reporting and investigating unethical conduct and other irregularities, which are appended to the Code.	**Yes**
3.9 The Board should be responsible for monitoring compliance with the Code. Any waivers from the Code that are granted for the benefit of the issuer's Directors or Executive Officers should be granted by the Board (or a Board committee) only. Although issuers must exercise their own judgement in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a Director or Executive Officer which constitutes a material departure from the Code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the Code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things: • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the Board has or has not sanctioned the departure(s), and • any measures the Board has taken to address or remedy the departure(s).	The Governance/Human Resources Committee's terms of reference state that it shall monitor and report annually to the Board concerning compliance with the CIC Director's Code of Conduct and to "review and report to the Board on conflict of interest matters involving Directors." There were no waivers granted in 2011 with respect to Code compliance by Directors, Officers or employees.	**Yes**
Nomination of directors 3.10 The Board should appoint a Nominating Committee.	As a Crown corporation, the appointment and removal of Directors is the prerogative of the Lieutenant Governor in Council, as established by statute. The Governance/Human Resources Committee may review and recommend qualified potential candidates for the Board. The names of any recommended candidates are then submitted by the Board to CIC as shareholder.	**Substantial compliance**

CSA national policy 58-201 **Part 3 — Corporate Governance Guidelines**	**SaskPower's corporate governance practices**	**Consistent with CSA guidelines?**
3.11 The Nominating Committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the Board. In addition, the Nominating Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate Directors, the selection and nomination of those Directors need not involve the approval of an independent Nominating Committee.	The terms of reference for the Governance/Human Resources Committee incorporate a written charter, which includes all terms referred to in the CSA guideline, with the exception of authority to delegate to individual members and subcommittees and member appointment and removal. The Board terms of reference state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.	**Substantial compliance**
3.12 Prior to nominating or appointing individuals as Directors, the Board should adopt a process involving the following steps: (a) Consider what competencies and skills the Board, as a whole, should possess. In doing so, the Board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.	A skills profile, identifying the desired mix of experience and competencies required for the Board to effectively discharge its responsibilities, has been developed and is periodically updated.	**Yes**
(b) Assess what competencies and skills each existing Director possesses. It is unlikely that any one Director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each Director, as these may ultimately determine the boardroom dynamic.	The Governance/Human Resources Committee, with assistance from the Corporate Secretary, maintains and updates a skills matrix of existing members. As needed, it conducts a gap analysis to identify skills required for future appointments to round out the Board's overall skill set.	**Yes**
The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision making. In carrying out each of these functions, the Board should consider the advice and input of the Nominating Committee.	The terms of reference for the Governance/Human Resources Committee state that it shall recommend the size of the Board.	**Yes**
3.13 The Nominating Committee should be responsible for identifying individuals qualified to become new Board Members and recommending to the Board the new Director nominees for the next annual meeting of shareholders.	Pursuant to the Board terms of reference, the Board adopts policies and processes to enable effective communication with CIC, stakeholders and the public.	**Yes**
3.14 In making its recommendations, the Nominating Committee should consider: (a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (b) the competencies and skills that the Board considers each existing Director to possess; and	The terms of reference for the Governance/Human Resources Committee require the Committee to, "Recommend to the Board the size, composition, required capabilities and compensation of the Board of Directors to meet the needs of the Corporation."	**Yes**
(c) the competencies and skills each new nominee will bring to the boardroom. The Nominating Committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board Member.	When seeking candidates to fill a vacancy, it is the responsibility of Executive Council to consider how the skills and competencies of each candidate fit with the identified gaps on the Board.	**Partial compliance**

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Compensation 3.15 The Board should appoint a Compensation Committee composed entirely of independent Directors.	All members of the Governance/Human Resources Committee are independent Directors.	**Yes**
3.16 The Compensation Committee should have a written charter that establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the Compensation Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	The terms of reference for the Governance/Human Resources Committee incorporate a written charter, which includes all items referred to in the CSA guideline (with the exception of member appointment and removal, which is established by statute). The Board terms of reference state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.	**Substantial compliance**
3.17 The Compensation Committee should be responsible for: (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;	The Governance/Human Resources Committee's terms of reference state that the CEO's review is based upon agreed-upon objectives, updated each year. While CEO compensation was not addressed specifically, the committee had the responsibility to review and monitor all management compensation and benefit programs. As SaskPower is not a publicly-traded company, the parameters for CEO compensation are set by its shareholder, CIC.	**Yes**
(b) making recommendations to the Board with respect to non-CEO Officer and Director compensation, incentive-compensation plans and equity-based plans; and	The Governance/Human Resources Committee has the responsibility to annually review and monitor management compensation and benefit programs and make recommendations to the Board. The committee is also responsible for recommending Director compensation to the Board. CIC, as shareholder, sets director remuneration.	**Yes**
(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	The Board annually approves the disclosure of the compensation of executive members and all employees earning more than $50,000 per year. The compensation is disclosed to the Standing Committee on Crown and Central Agencies of the Legislative Assembly, and ultimately the public, through payee disclosure. In addition, the President and CEO — and direct reports — are required to file their employment contracts, and any amendments thereto, with the Clerk of the Executive Council pursuant to *The Crown Employment Contracts Act*. Key management personnel compensation is disclosed in the notes to the consolidated financial statements.	**Yes**
Regular Board assessments 3.18 The Board, its committees and each individual Director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:	The Governance/Human Resources Committee coordinates the assessment process with the assistance of the Corporate Secretary or an external service provider. Performance evaluations are conducted annually on a two-year cycle, with Board and Board Chair evaluations being conducted one year, and direct peer, Committee Chair and committee evaluations being conducted the following year. In 2011, evaluations were conducted of the Board and Board Chair.	**Yes**
(a) in the case of the Board or a Board committee, its mandate or charter, and	Comprehensive evaluation surveys have been developed that take into consideration the mandate of the Board as well as accepted good governance practices.	**Yes**
(b) in the case of an individual Director, the applicable position description(s), as well as the competencies and skills each individual Director is expected to bring to the Board.	Peer evaluations are completed every other year and are based on the position description for Directors.	**Yes**

Board of Directors

As at December 31, 2011

Full biographies are available at saskpower.com

Joel Teal
Chair
Saskatoon, Saskatchewan

Joel Teal recently retired from Dundee Developments/Homes by Dundee, where he held the position of President from 1996 to 2011. Previously, Mr. Teal was the President and CEO of Preston Developments.

Mr. Teal is currently a Board Member of the Saskatchewan Roughriders Football Club and Saskatchewan Blue Cross. On two separate occasions he served a total of 10 years as a Director of Canada Mortgage and Housing Corporation. He is also a Past Director of the Saskatoon Chamber of Commerce and the Saskatoon Region Economic Development Authority. He was the Vice-president, Sponsorship, for the Labatt Brier 2000 and a Director and Chair of the Long Range Planning Committee of Riverside Country Club for several years.

Mr. Teal has been awarded the Saskatchewan Centennial Medal for Volunteerism and the Canada Medal of Bravery. He was also recognized as Canadian Home Builder Member of the Year by the Canadian Home Builders' Association, and in 2008, Mr. Teal was named one of Saskatchewan's 10 Men of Influence by SaskBusiness magazine. In 2009, he was a finalist for the Saskatchewan Chamber of Commerce Business Leader of the Year Award.

Bill Wheatley
Vice-chair
Regina, Saskatchewan

Bill Wheatley is a Managing Director and General Counsel at Greystone Managed Investments Inc., a Saskatchewan investment management firm with more than $33 billion in assets under management with clients across Canada. He is a member of the Board of Directors of VIA Rail Canada and is Past Chairman of the Saskatchewan Securities Commission.

Mr. Wheatley graduated from the University of Saskatchewan, where he earned a Bachelor of Commerce degree. He subsequently entered the University of Saskatchewan's Law School and was called to the bar in 1973. Before starting work with Greystone, Mr. Wheatley was the head of a Regina real estate firm and Chief of Staff to the Government of Saskatchewan Minister of Finance and Department of Justice.

Tammy Cook-Searson
La Ronge, Saskatchewan

Chief Tammy Cook-Searson is the first woman to lead the Lac La Ronge Indian Band, one of the largest and most progressive First Nations bands in Canada. In 2011, she began her third consecutive three-year term as Chief. Prior to her present role, she served as a social worker and as an elected Band Councillor for eight years. As an entrepreneur, Chief Cook-Searson has owned and operated a marina since 1993.

She is President of Kitsaki Management Limited Partnership, the Band's economic development initiative with several businesses in various sectors. She has also served on numerous local and provincial boards. In recognition of Chief Cook-Searson's community service, she was honoured with the Saskatchewan Centennial Medal and the Queen's Golden Jubilee Medal.

Ian Coutts
Kindersley, Saskatchewan

Ian Coutts is the owner of Coutts Agro Ltd., a large grain farm located in western Saskatchewan. He is also founder and President of Meridian Grain, a privately held grain company.

Mr. Coutts is also past Vice-president of Canpulse Foods, a specialty grain processor and exporter to international markets. He has served on the Board of both Meridian Grain and Canpulse Foods. He has extensive retail experience, having owned and operated a successful clothing business in Kindersley.

Judy Harwood
Saskatoon, Saskatchewan

Judy Harwood is the General Manager of the Park Town Hotel in Saskatoon — a 172-room full-service property situated on the South Saskatchewan River. Ms. Harwood holds a certificate from Cornell University in Essentials of Hospitality Management along with her Certified Hotel Administrator (CHA) designation.

Currently, Ms. Harwood is Co-chair of the Saskatoon District Planning Commission and Board Member of the Saskatoon Zoo. She has also served on the Boards of SaskTel, Saskatchewan Transportation Corporation, Saskatoon Prairieland Exhibition Corporation, Saskatoon Chamber of Commerce, Saskatoon Regional Economic Development Authority and Ronald McDonald House. She was President of the North Saskatoon Business Association and Councillor of Corman Park. Ms. Harwood was also voted one of Saskatchewan's 10 Most Influential Women by SaskBusiness Magazine and awarded the Queen's Golden Jubilee Medal.

Mitchell Holash
Prince Albert, Saskatchewan

Mitchell Holash is a senior partner in the law firm of Holash Logue McCullagh. He was called to the bar in 1985, and was appointed to Queen's Counsel in 2010. Mr. Holash serves on the Saskatchewan Honours Advisory Council and as a national Director to the secretariat responsible for the adjudication of Indian Residential School claims across Canada. He is a Trustee for the Saskatchewan Foundation for the Arts, Chairman of the Prince Albert Arts Board, and a founding Director of the Saskatchewan Healthcare Excellence Awards. He has served in past as Chairman of the Saskatchewan Police Commission and as a Director of both the Saskatchewan Sports Hall of Fame and the Saskatchewan Arts Board. He has also chaired several community projects responsible for the construction of major public facilities in Prince Albert essential to the arts, education, healthcare and athletics.

He was named Prince Albert's Citizen of the Year in 2003. He has also been awarded the Community Development Award by the Saskatchewan Association of Community Planners, the Saskatchewan Centennial Medal and the Lieutenant Governor's Saskatchewan Volunteer Medal.

Nicholas Kaufman
Regina, Saskatchewan

Nicholas Kaufman retired from Counsel at McCrank Stewart LLP, Barristers and Solicitors, as an Associate of Counsel in 2011. Mr. Kaufman was the Vice-president of Law at SaskPower from 1989 to 1991. He has also held the positions of Partner and Senior Counsel at Rendek McCrank Barristers and Solicitors and Associate at Balfour Moss. He has served as Director of Pioneer Life Assurance Company and Director of Canadian Pioneer Management.

Mr. Kaufman was appointed to Queen's Counsel in 1985. He is an active member of the Regina community and is former Director and President of the Regina Rotary Club and former Director of the Saskatchewan Roughriders Football Club. Mr. Kaufman studied at the University of Saskatchewan where he earned a Bachelor of Arts and Bachelor of Laws (cum laude).

Bryan Leverick
Saskatoon, Saskatchewan

Bryan Leverick is President of Saskatchewan-based Alliance Energy Ltd. and has been with the company since 1974. Mr. Leverick serves on the Electrical Trade Advisory Board and the Electrical Curriculum Committee. He is also Chair of the Saskatoon Economic Development Authority, a Board Member of the Canadian Electrical Contractors as Past Chairman and a Board Member of the Saskatoon Regional Economic Development Authority.

Mr. Leverick has served as Director of the Canadian Electrical Contractors Association and Past President of the Saskatoon Construction Association and the Saskatchewan Bid Depository. He is also Past Chairman of the Saskatoon City Hospital Foundation and is an avid supporter of the Canadian Cancer Society Jail and Bail Most Wanted Program. In 2003, he was honoured with the Distinguished Service Award by the Saskatchewan Construction Association and received the Person of the Year Award in 2006. Mr. Leverick now has the designation of Chartered Director.

Mick MacBean
Calgary, Alberta

Mick MacBean is a Managing Director with TriWest, one of Canada's leading private equity firms. From 1998 to 2010, he was the founder, CEO, and Director of Diamond Energy Services. Mr. MacBean also was employed by ARC Financial Corporation in a variety of disciplines, including merchant banking and private equity. He also serves as a Director of a number of private and public companies.

In 1990, Mr. MacBean earned a Bachelor of Commerce degree from the University of Saskatchewan. He is also a Chartered Accountant and a Chartered Director. He was recognized with the Gilbert Bennett Outstanding Graduating Director Award by McMaster University, DeGroote School of Business.

Andy McCreath
Calgary, Alberta

Andy McCreath, President of McCreath Communications, is a noted marketing, public relations and communications professional and producer of sophisticated geopolitically relevant and market-centric conferences and events. His projects encompass such topics as U.S. and Canadian relations, macroeconomics, leadership and global relations. He has produced events across Canada and is currently co-producer of, "Canada's Outstanding CEO of the Year."

Mr. McCreath formerly worked at Wellington West Capital, BMO Nesbitt Burns, and the National Hockey League's head office in New York. In 2011, he was named one of Canada's Top 40 under 40 by Caldwell Partners International and was previously named one of Calgary's Top 40 under 40 and one of the 20 Leaders of Tomorrow by Business in Calgary Magazine. Mr. McCreath was also named one of Alberta's 50 Most Influential People by Alberta Venture Magazine and presented with the Outstanding Young Alumni Award by the University of Saskatchewan.

Lorne Mysko
Saskatoon, Saskatchewan

Lorne Mysko and his wife operate Riverview Bed and Breakfast. Mr. Mysko spent 33 years with the Royal Bank in several management positions throughout Saskatchewan before retiring in 2001. Until 2008, he was a major shareholder in an automotive business in Saskatoon.

Throughout his years with the bank, Mr. Mysko volunteered with a variety of service clubs and local sporting organizations, holding office and directorships in many of them. In Saskatoon, he also served two terms with the City of Saskatoon Economic Development Board. Presently, Mr. Mysko serves as Secretary on the TCU Place Board in Saskatoon, federal ex-officio Board Member for the Primrose Lake Economic Development Corporation, and one of four Public Representatives to the Law Society of Saskatchewan.

Dale Bloom
Corporate Secretary

Dale Bloom works for CIC, the holding company for Saskatchewan's commercial Crown corporations. He was part of a team at CIC that won the Lieutenant Governor's Gold Medal for Outstanding Public Service in Saskatchewan, as well as a Certificate of Achievement in the International Awards Programme for work in governance and performance management of public enterprises.

Dale has worked in the public sector for over 20 years in various capacities. He has several degrees, most recently attaining his MBA in 2011 from the Kenneth Levene Graduate School of Business at the University of Regina. He has been and continues to be involved in various charitable activities in Regina.

2012 appointments to the Board of Directors

- Randell Morris, Saskatoon, Saskatchewan
- Leslie Neufeld, Swift Current, Saskatchewan

Compensation

Under the authority of *The Crown Corporations Act, 1993*, SaskPower's shareholder, CIC, directs the compensation received by Directors. In addition to reimbursement for reasonable expenses incurred while performing their duties (including related travel, meal and accommodation costs), Directors receive an annual retainer and meeting fees for service:

- The Board Chair receives an annual retainer of $15,000 and a $900 meeting fee.
- The Vice-chair and other Board Members receive an annual retainer of $10,000 and a $700 meeting fee.
- Committee Chairs receive an $800 Committee Chair meeting fee.

Executive team

As at December 31, 2011

Full biographies are available at saskpower.com

Robert Watson
President and CEO

Before joining SaskPower in August 2010, Mr. Watson served as President and CEO of SaskTel beginning in November of 2004. Prior to that appointment, he held several senior executive positions in the Canadian communications industry. Mr. Watson is a graduate in Electrical Technologies from Ryerson University. He has attended the International Executive Development Program at the INSEAD Centre in Fountainebleau, France, as well as the Executive Management Program at Ashridge Business School in the United Kingdom. He also holds an ICD.D designation from the Institute of Corporate Directors. Mr. Watson currently serves as a Board Member for the Conference Board of Canada, Information Technology Association of Canada (past Chair), Canadian Electricity Association and Canadian Nuclear Association. A recipient of the Saskatchewan Centennial Medal, in the community he serves on the Board of Directors of Prostate Cancer Canada and One Life Makes a Difference.

Guy Bruce
Vice-president, Planning, Environment & Regulatory Affairs (PERA) and President and CEO, NorthPoint Energy Solutions

Mr. Bruce has more than 30 years of experience in the electric utility industry, including work in plant engineering, power system operations, risk management, asset management and business planning. In addition to being recently appointed President and CEO of NorthPoint Energy Solutions, he oversees five groups within PERA: Sustainable Supply Development; Network Development; Environmental Programs; Emissions Planning and Mitigation; and Strategic Corporate Development. Prior to joining PERA, he spent seven years with Power Production as Manager, Business Performance and Planning. Mr. Bruce is a professional electrical engineer who graduated from the University of Saskatchewan.

Jim Diotte
Vice-president
Human Resources

Prior to joining SaskPower, Jim Diotte served as Chief Human Resources Officer for Redknee Solutions Inc., a global software company, and as Director, Human Resources at Dell Canada. Over the course of his career, he has held positions with Stelco, George Weston and Pepsi in labour relations, compensation and organizational development. Mr. Diotte has a degree in Labour Studies from McMaster University, and is a member of both the Society for Human Resource Management and Institute of Corporate Directors.

Sandeep Kalra
Vice-president and Chief Financial Officer
Finance and Enterprise Risk Management

Sandeep Kalra joined SaskPower after eight years in various positions with Finning International, the world's largest Caterpillar distributor. His most recent role was as Vice-president and Corporate Treasurer at the company's head office in Vancouver. Prior to his work with Finning, Mr. Kalra held financial positions with Hertz Corporation, PepsiCo, Deloitte and Samtel India. He is a Chartered Accountant through both the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of India. Mr. Kalra holds a Bachelor of Commerce with honours from Delhi University and an MBA from the Stern School of Business.

Tom Kindred
Vice-president and Chief Information Officer
Corporate Information and Technology

Prior to his role with SaskPower, Tom Kindred was Site Executive and Senior Vice-president of Innovation and Client Enhanced Services for MBNA Canada Bank/Bank of America. He spent over 10 years with CUETS Financial as the Executive Vice-president and CIO and 12 years in strategic and engineering positions at SaskTel. Mr. Kindred graduated from the Executive Education Program at Harvard Business School and has a Master of Science in Electrical Engineering and a Bachelor of Applied Science in Electronic Information Systems Engineering. He is currently the Vice Chair of the Canadian Electricity Association Technology Committee.

John Lebersback
Vice-president
Power Production

Before moving into his current role, John Lebersback served as Chief Engineer, Engineering Services, and Manager, Operations Support. He also served in several engineering and project management positions, working on thermal, hydro and wind generation projects. Mr. Lebersback graduated in 1974 with a Bachelor of Science degree in Electrical Engineering from the University of Saskatchewan. In 1989, he earned a diploma in Business Administration from the University of Regina.

Mike Marsh
Vice-president
Transmission and Distribution

Mr. Marsh holds a Bachelor of Science in Mechanical Engineering from the University of Saskatchewan, as well as an MBA from the Queen's School of Business. Before becoming Vice-president of Transmission and Distribution, he held the position of Manager, Business and Financial Planning, as well as supervisory roles in engineering and maintenance with Power Production. Prior to joining SaskPower, Mr. Marsh was employed in the construction industry in Alberta and Saskatchewan.

Judith A. May
Vice-president, Corporate Relations and
Acting Vice-president, Customer Services

Since joining SaskPower in 1981, Judy May has held senior leadership roles in Customer Services, including the Manager of Call Centres and Collections. She has also assumed leadership positions on several special corporate projects. In December 2004, Ms. May was appointed to the position of Vice-President of Customer Services. Holding a Bachelor of Administration, she has acted as Chair and Past Chair of the Canadian Electricity Association Customer Council. Ms. May is currently Vice-president of Corporate Relations.

Michael Monea
President
Carbon Capture and Storage Initiatives

Michael Monea holds professional engineer and geoscientist designations, a well as a Bachelor of Science from the University of Regina. Before joining SaskPower, he was Senior Vice-president with Canada Capital Energy Corporation. He served as Executive Director of the Petroleum Technology Research Centre at the University of Regina and has held a number of other executive and technical positions in the oil and gas sector.

Grant Ring
Vice-president
Business Development

Grant Ring is a Certified Management Accountant and holds an MBA. In his previous role, he was President and CEO of SaskPower subsidiary, NorthPoint Energy Solutions. He has also held the SaskPower positions of Acting Vice-president and Chief Financial Officer, Corporate and Financial Services, as well as Treasurer. Prior to joining our company, Mr. Ring was employed in various accounting positions in private sector manufacturing and construction. He is a member of Financial Executives International Canada and a member of the Institute of Corporate Directors.

Rachelle Verret Morphy
Acting Vice-president, General Counsel and
Assistant Secretary
Law, Land and Regulatory Affairs

Prior to joining SaskPower, Rachelle Verret Morphy was Manager, Tax and Legal Consulting with Concentra Financial. She also worked in private practice with MacPherson Leslie Tyerman, LLP, practicing corporate/commercial law with a focus on procurement, mergers and acquisitions, information technology and taxation. Ms. Verret Morphy is also a chartered accountant and worked in public accounting for several years prior to obtaining her law degree.

Compensation

CIC has established a framework for executive compensation, and SaskPower's Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning executive compensation issues to the Governance/Human Resources Committee. Executive performance is assessed annually against corporate and individual objectives that are aligned with our company's Strategic Plan. The mandate for executive compensation for Saskatchewan Crown corporations is established and monitored by CIC.

Direct reports of SaskPower's President and CEO, including all executive members, are required by legislation to file and report the details of their compensation and benefits and any changes to the Clerk of the Saskatchewan Legislature within 14 days of occurrence. In addition, the Crown and Central Agencies Committee of the Legislative Assembly of Saskatchewan requires Crown corporations, including SaskPower, to file an annual payee list that includes the total compensation of executive members.

Salary ranges for SaskPower's executive team, as of December 31, 2011, were:

- President and CEO: $241,900 to $302,375.
- Vice-president: $174,773 to $257,018.

Five-year financial summary

(in millions)	**IFRS 2011**	IFRS 2010	CGAAP 2010	CGAAP 2009	CGAAP 2008	CGAAP 2007
Consolidated statement of income						
Revenue						
Saskatchewan electricity sales	**$ 1,667**	$ 1,575	$ 1,575	$ 1,447	$ 1,385	$ 1,356
Exports	**40**	12	12	12	33	57
Net sales from electricity trading	**14**	4	4	7	17	11
Share of profit from equity accounted investees	**11**	10	6	7	7	7
Other revenue	**105**	90	47	45	44	38
	1,837	1,691	1,644	1,518	1,486	1,469
Expense						
Fuel and purchased power	**485**	446	492	509	545	481
Operating, maintenance and administration	**575**	513	531	495	427	416
Depreciation and amortization	**290**	266	246	229	220	213
Finance charges	**197**	192	146	147	154	170
Taxes	**43**	42	42	39	35	35
Other losses (gains)	**8**	9	8	3	11	4
	1,598	1,468	1,465	1,422	1,392	1,319
Income before the following	**$ 239**	$ 223	$ 179	$ 96	$ 94	$ 150
Unrealized market value adjustments	**9**	(19)	(19)	7	(30)	(12)
Net income	**$ 248**	$ 204	$ 160	$ 103	$ 64	$ 138
Consolidated statement of financial position						
Assets						
Current assets	**$ 402**	$ 377	$ 372	$ 365	$ 342	$ 423
Property, plant and equipment	**5,387**	4,923	4,535	4,258	3,890	3,722
Intangible assets	**52**	24	24	25	11	12
Debt retirement funds	**353**	291	291	246	212	237
Investments accounted for using equity method	**77**	71	34	32	29	30
Other assets	**11**	13	12	22	36	51
Total assets	**$ 6,282**	$ 5,699	$ 5,268	$ 4,948	$ 4,520	$ 4,475
Liabilities and equity						
Current liabilities	**$ 699**	$ 502	$ 495	$ 574	$ 270	$ 605
Long-term debt	**2,707**	2,708	2,778	2,567	2,571	2,225
Finance lease obligations	**552**	409	–	–	–	–
Employee benefits	**315**	203	66	46	43	42
Provisions	**145**	119	137	129	107	88
Equity	**1,864**	1,758	1,792	1,632	1,529	1,515
Total liabilities and equity	**$ 6,282**	$ 5,699	$ 5,268	$ 4,948	$ 4,520	$ 4,475
Consolidated statement of cash flows						
Cash provided by operating activities	**$ 543**	$ 437	$ 441	$ 342	$ 320	$ 373
Cash used in investing activities	**(605)**	(516)	(518)	(582)	(377)	(248)
Cash provided by (used in) financing activities	**63**	77	74	232	(21)	(61)
Increase (decrease) in cash position	**$ 1**	$ (2)	$ (3)	$ (8)	$ (78)	$ 64
Financial indicators						
Dividends	**$ –**	$ –	$ –	$ –	$ 46	$ 97
Capital expenditures	**$ 625**	$ 538	$ 565	$ 640	$ 422	$ 280
Return on equity	**13.2%**	13.4%	10.4%	6.1%	6.2%	10.1%
Per cent debt ratio	**63.0%**	63.0%	59.7%	61.4%	60.7%	59.7%

The 2011 and comparative 2010 financial information disclosed was prepared in accordance with International Financial Reporting Standards (IFRS). Effective January 1, 2011, SaskPower adopted IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP).

Five-year revenue statistics

	2011	2010	2009	2008	2007
Number of Saskatchewan customer accounts					
Residential	**345,854**	340,518	334,684	328,719	321,183
Farm	**62,475**	61,577	62,245	62,712	63,384
Commercial	**58,118**	55,714	55,853	54,563	53,917
Oilfield	**15,437**	15,098	14,461	13,932	13,147
Power	**99**	98	84	78	80
Reseller	**2**	2	2	2	2
Total	**481,985**	473,007	467,329	460,006	451,713
Electricity sales (in millions)					
Residential	**$ 408**	$ 382	$ 356	$ 322	$ 311
Farm	**145**	141	136	125	127
Commercial	**355**	339	320	297	292
Oilfield	**242**	234	215	203	192
Power	**440**	404	346	366	362
Reseller	**77**	75	74	72	72
Saskatchewan electricity sales	**1,667**	1,575	1,447	1,385	1,356
Exports	**40**	12	12	33	57
Total electricity sales	**$ 1,707**	$ 1,587	$ 1,459	$ 1,418	$1,413
Electricity sales (GWh)					
Residential	**3,006**	2,882	2,865	2,721	2,643
Farm	**1,298**	1,292	1,338	1,306	1,329
Commercial	**3,447**	3,386	3,407	3,311	3,269
Oilfield	**2,901**	2,872	2,742	2,682	2,541
Power	**7,321**	6,932	6,139	6,898	6,854
Reseller	**1,253**	1,254	1,274	1,274	1,287
Saskatchewan electricity sales	**19,226**	18,618	17,765	18,192	17,923
Exports	**449**	244	224	409	851
Total electricity sales	**19,675**	18,862	17,989	18,601	18,774
Average electricity sales price ($/MWh)					
Residential	**$ 136**	$ 133	$ 124	$ 118	$ 118
Farm	**112**	109	101	96	96
Commercial	**103**	100	94	90	89
Oilfield	**83**	81	78	76	76
Power	**60**	58	56	53	53
Reseller	**61**	60	58	57	56
Exports	**89**	49	56	81	67
Total weighted average electricity sales price	**$ 87**	$ 84	$ 81	$ 76	$ 75
Average annual usage per residential customer (kWh)	**8,692**	8,464	8,560	8,278	8,229
Electricity trading					
Electricity trading revenue (in millions)	**$ 55**	$ 42	$ 74	$ 125	$ 125
Electricity trading sales (GWh)	**618**	613	1,461	1,813	1,897

Five-year generating and operating statistics

	2011	2010	2009	2008	2007
Net electricity supplied (GWh)					
Coal	**11,614**	12,038	12,317	11,405	11,661
Gas	**4,032**	3,682	3,432	3,812	3,545
Hydro	**4,641**	3,866	2,962	4,030	4,393
Wind	**682**	507	579	574	620
Imports	**502**	518	440	587	316
Other	**140**	148	134	72	36
Gross electricity supplied	**21,611**	20,759	19,864	20,480	20,571
Line losses	**(1,936)**	(1,897)	(1,875)	(1,879)	(1,797)
Net electricity supplied	**19,675**	18,862	17,989	18,601	18,774
Available generating capacity (net MW)					
Coal	**1,686**	1,686	1,682	1,682	1,661
Gas	**1,337**	1,251	1,113	914	977
Hydro	**853**	853	853	853	853
Wind	**198**	172	172	172	172
Other	**20**	20	20	20	5
Total available generating capacity	**4,094**	3,982	3,840	3,641	3,668
Peak loads (net MW)					
Annual peak load	**3,195**	3,162	3,231	3,194	2,969
Minimum load	**1,728**	1,636	1,561	1,664	1,583
Summer peak load	**3,070**	2,750	2,773	2,834	2,879
Lines in service (km)					
Transmission lines	**12,576**	12,705	12,404	12,311	12,216
Distribution lines	**139,390**	137,380	137,093	136,807	136,593
Total lines in service	**151,966**	150,085	149,497	149,118	148,809
Number of permanent full-time employees	**2,701**	2,727	2,653	2,541	2,488

System map

As at December 31, 2011

AVAILABLE GENERATION (net capacity)

▨ HYDROELECTRIC

1. Athabasca Hydroelectric System - 23 MW
    - Wellington (5 MW)
    - Waterloo (8 MW)
    - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 101 MW
4. Nipawin Hydroelectric Station - 255 MW
5. E.B. Campbell Hydroelectric Station - 288 MW
13. Coteau Creek Hydroelectric Station - 186 MW

▨ NATURAL GAS

3. Meadow Lake Power Station - 44 MW
7. Yellowhead Power Station - 138 MW
9. Ermine Power Station - 92 MW
10. Landis Power Station - 79 MW
12. Queen Elizabeth Power Station - 430 MW
15. Success Power Station - 30 MW

▨ WIND

16. Cypress Wind Power Facility - 11 MW
18. Centennial Wind Power Facility - 150 MW

■ COAL

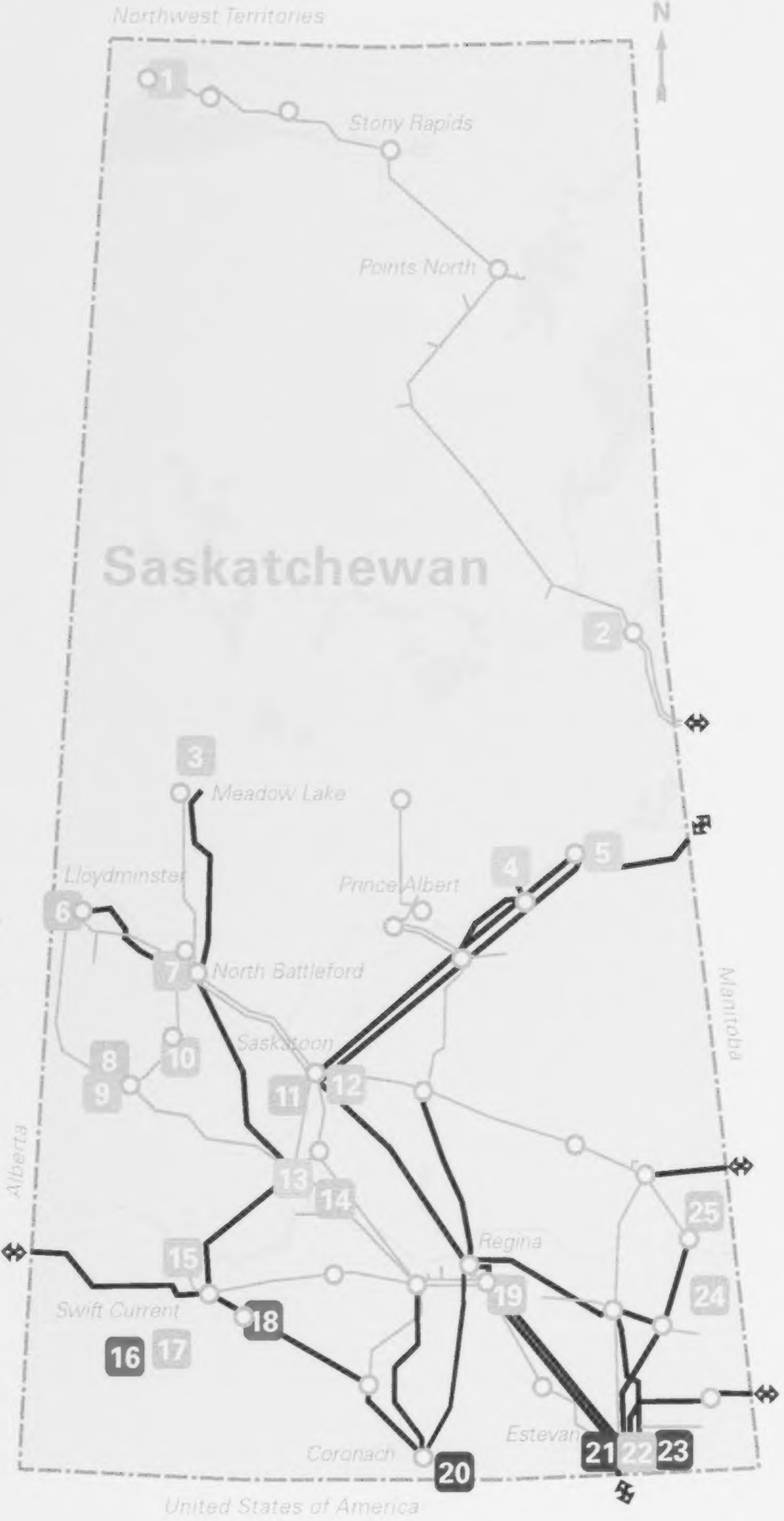
20. Poplar River Power Station - 582 MW
21. Boundary Dam Power Station - 828 MW
23. Shand Power Station - 276 MW

▨ INDEPENDENT POWER PRODUCERS

6. Meridian Cogeneration Station - 210 MW
8. NRGreen Kerrobert Heat Recovery Facility - 5 MW
11. Cory Cogeneration Station - 228 MW
14. NRGreen Loreburn Heat Recovery Facility - 5 MW
17. SunBridge Wind Power Facility - 11 MW
19. NRGreen Estlin Heat Recovery Facility - 5 MW
22. NRGreen Alameda Heat Recovery Facility - 5 MW
24. Red Lily Wind Power Facility - 26 MW
25. Spy Hill Generating Station - 86 MW

TRANSMISSION

━ 230 kV
— 138 kV/115kV/110kV
○ Switching station
✥ Interconnection



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